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WORLD NEWS

West keeps up pressure on S. Africa

Western countries maintained diplomatic pressure on South Africa yesterday, although the threat of early economic sanctions from the European Community and the U.S. has receded.

Denmark said it would close its general consulate in protest over apartheid and Australia recalled its envoy to take part in a review of relations. Foreign ministers of three EEC countries are to visit South Africa to express their concern over the crisis.

Internal pressures appear to be increasing, with the threat of industrial action by the country's mineworkers. Page 2

CBI raps pension reform

The Confederation of British Industry is stepping up its opposition to proposed social security reforms, particularly the phasing out of the State Earnings - Related Pension Scheme. Page 4

Gorbachev meeting

Soviet leader Mikhail Gorbachev has agreed to meet a U.S. Senate delegation in early September, Senate Democratic leader Robert Byrd said.

Uganda opens borders

Uganda's new military rulers reopened land borders which they closed after Saturday's coup but airports are to remain closed until further notice. Okello in cabinet talks, Page 2

M-way limit to stay

The Government has rejected proposals from a Commons committee to raise the motorway speed limit from 70 mph to 80 mph for an experimental period. Page 3

Marcos election threat

Threats by Philippine President Ferdinand Marcos to call a presidential election in November and dissolve the National Assembly were welcomed by opposition figures mounting a campaign to impeach him. Page 2

Israel retaliates

Israeli aircraft bombed offices of a pro-Syrian Lebanese party in central Lebanon, killing two people, apparently in retaliation for suicide attacks. Page 3

NUM rift widens

Pit leaders from Nottingham, South Derbyshire and other areas are to meet the Government Certification Officer—responsible for registering trade unions—in the latest move to break away from the National Union of Mineworkers. Page 4

China's nuclear threat

China's armed forces would be capable of counter-attacking with nuclear weapons in the event of war, Shanghai radio said.

Ban on Euro-MP priest

The Roman Catholic church has suspended Father Gianni Baget-Bozzo, an Italian priest elected as a Socialist member of the European Parliament last year, because of his political activities.

Reagan for posterity

History may rank Ronald Reagan with Abraham Lincoln and George Washington as one of America's greatest presidents, according to a survey of 121 political scientists and historians.

Sport . . .

Wimbledon champion Boris Becker of West Germany defeated American Eliot Teltscher in the opening singles of the Davis Cup quarter-final tie in Hamburg.

England were 233 for 3 at the close of the second day's play in the fourth test at Manchester, 24 runs behind Australia.

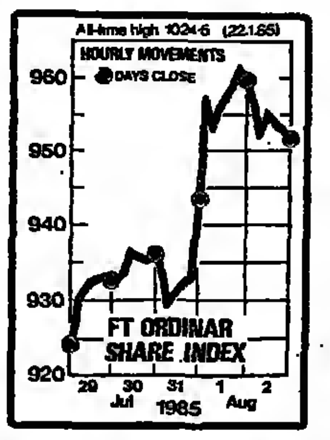
BUSINESS SUMMARY

Yugoslavia agrees on rescheduling

YUGOSLAVIA yesterday agreed in principle with its leading bank creditors on the interest rates it would pay in a $3.5bn (£2.6bn) multi-year debt-rescheduling package, after negotiations which began last year. The IMF threatened to withhold an SDR 80m (£59m) instalment of its SDR 300m loan if progress was not made.

Peru said it was postponing until January 31 all repayments due on its multi-billion dollar debt due to foreign commercial banks. Back Page

LONDON STOCK MARKET: profit-taking ended the four-day advance, and the FT Ordinary index lost 8.8 to 951.1, still 27 points higher on the week. Page 12



WEDD Durlacher Mordaunt, big stockjobber, recruited Alan Bristowe, a senior dealer from rival market-maker Akroyd & Smithers. Page 3

CANON of Japan is moving production of the photo-copiers it sells in Europe to France and Germany, to try to ease Japan-EEC trade friction. Back Page

U.S. MAKERS of 64K Ram chips, used in the computer and electronics industries, are endangered by a flood of Japanese imports, a trade body ruled. Back Page

MONTGOMERY WARD, U.S. department store group which pioneered the mail order industry, is to drop its worldwide catalogue, with a loss of 5,000 jobs. Back Page

BRITISH RAIL coal traffic faces renewed disruption as the row over plans for driver-only train operation grows. Page 4

U.S. UNEMPLOYMENT held steady in July at 7.3 per cent, for the sixth consecutive month. Black unemployment rose from 14 to 15 per cent. Page 2

U.S. FED turned down a request by Citibank, world's biggest banking group, to buy a small South Dakota bank to enter the nationwide insurance underwriting business. Page 2

LLOYDS BANK reported pretax profit of £264m, up 26 per cent, for the first half, rounding off the big four clearing banks' interim season in which they announced record total earnings of £1.2bn. Back Page

LADBROKE leisure and gaming group said it held 3.25 per cent of Arthur Bell scotch whisky company, which Guinness is trying to take over for £312m. Back Page

MARKS AND SPENCER, retailer, said it had invited several advertising agencies to submit proposals for a new campaign. Page 3

PHOENIX TIMBER GROUP reported a pre-tax loss of £81,000 for the year, against a £936,000 profit, and cut the final dividend by 1p to 1.5p. Page 8

GENERAL FELT Industries of New Jersey made an unsuccessful bid for Sotheby's, London auctioneer, and is not the owner as stated in yesterday's Financial Times. Sotheby's is owned by Mr Alfred Taubman.

UK, West Germany and Italy agree to build fighter aircraft

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

PLANS TO build a five-nation European fighter for the 1990s collapsed yesterday when Britain, Italy and West Germany decided to go ahead with the proposed aircraft without assistance from France and Spain.

Armaments directors of the three governments which are to co-operate signed an agreement in Turin, northern Italy, to complete feasibility studies and to move on to the project definition phase. The venture will ultimately lead to production of about 600 aircraft and will cost upwards of £10bn. The new aircraft are destined for Nato's air defence forces.

Although the three nation project represents an important collaborative arms programme, it will be considerably less spectacular than the five-nation proposal, which could have involved 1,000 aircraft and would have cost about £20bn.

Yesterday's decision brought to a climax nearly two years of difficult and recently very tense negotiations between the five defence ministers, their officials and senior officers. It was reached at 3 am, after 12 hours of discussions.

The talks broke down over big differences between France and the other governments on the role, and therefore the performance, of the fighter. Britain and its partners will now build an aircraft, optimised for an air to air role. France is expected to develop its Rafale experimental aircraft as a ground attack plane.

Mr Michael Heseltine, the Defence Secretary, welcomed the decision. At a news conference, he stressed the door was open to France and Spain — or other countries — to join.

In Paris, where reaction to the decision was low key, there seemed no possibility that France would change its mind. However, the Spanish government may still opt for the three nation project.

Officials of British Aerospace and Dassault-Breguet, the lead British and French contractors, were clearly relieved that the five nation project had collapsed.

The British aerospace industry has become accustomed to working with the Italian and German industries on the Tornado multi-role combat aircraft project and feels the three nation deal is to its advantage.

Political reaction to the agreement has been more muted in Rome and in particular in Bonn, where Herr Manfred Woerner, the defence minister, has put his political reputation on the line in recent weeks in an effort to find a compromise between Britain and France.

Mr Heseltine yesterday insisted that failure to agree on a five nation project should affect neither other arms collaboration nor the French-inspired Eureka technology co-operation venture. However, in Bonn there was concern about the possible impact on Franco-German relations.

The West Germans are also worried that the more limited project might cost each country more. Mr Heseltine denied that the British defence budget would be unduly strained by the twin impact of the Trident nuclear deterrent and the new fighter.

Yesterday's agreement covers:

● An agreed set of aircraft characteristics 9.75 tonnes weight, an engine thrust of 90 kn and a wing surface of 50 square metres. Mr Heseltine said these were now non-negotiable.

● An agreed management structure consisting of a steering committe, an international programme office and two joint companies. The latter will cover the airframe (and system integration) and the engine. An early decision is expected on whether management will be based on the Panavia umbrella, under which the three countries manage the Tornado programme in Munich.

● Agreed work shares, calculated on the number of aircraft each country intends to take. The shares will be 38 per cent each for Britain and West Germany and 24 per cent for Italy. The lead companies are the same as those for the Tornado—British Aerospace, Messerschmidt - Bolkow - Blohm and Aeritalia.

Reaction, Page 2; Europe's combat aircraft, Page 6

Burton claims victory in battle for Debenhams

BY MARTIN DICKSON

BURTON GROUP last night claimed victory in its £567m takeover bid for Debenhams, the department stores group.

It said that it now spoke for more than 50 per cent of Debenhams ordinary shares and was declaring its offer unconditional.

Burton, the clothing retailer headed by Mr Ralph Halpern, had set 3 pm yesterday as the closing time for its increased and final offer for Debenhams.

Yesterday evening, however, it extended the closing date until Sunday. It is permitted to do this under the timetable laid down in the takeover code, but it is extremely unusual for a bid to close on a Sunday, when the City is deserted.

Mr Bob Thornton, Debenham's chairman, said earlier last night: "The fact Burton have extended means in our opinion that they have virtually no prospect of success."

Earlier this week, Debenhams and House of Fraser, Britain's biggest department stores group, unveiled an initiative designed to block the Burton bid and instead form their own joint ventures in credit cards, merchandising and distribution.

Yesterday saw a last-minute flurry of share buying in Debenhams by both Burton and House of Fraser. Burton increased its stake to 14.99 per cent—the maximum permitted to it under the technicalities of the takeover code. House of Fraser raised its stake from 23.27 per cent to 24.97 per cent — the ceiling imposed on it under the 100 per cent.

In an attempt to gather in the votes of Debenham's small shareholders, Burton had arranged to receive acceptances until close of business today at its stores.

But Debenhams was countering by making available at its 67 department stores forms on which any shareholder who has accepted the Burton offer can withdraw acceptance.

There was much City speculation last night about the fate of a large strategic block of shares—possibly as much as 7 per cent—said to be held by Mr Gerald Ronson and his Heron International property and filling station group. Mr Ronson himself declined to comment.

Debenhams shares closed last night at 326p, up 9p on the day. Burton closed at 462p, up 8p. At that level, its shares and loan stock offer is worth 337p for each Debenhams share. There is a 327p cash alternative.

Earlier reaction, Lex, Back Page

ITN journalists vote to join BBC strike

BY RAYMOND SNODDY

JOURNALISTS at Independent Television News—ITN—yesterday voted to support next Wednesday's 24-hour strike by their BBC colleagues over the shelving of the Real Lives programe on Northern Ireland.

The ITN journalists called on the BBC governors to withdraw their decision to postpone transmission of the documentary, which deals with extremism in Londonderry.

Mr Giles Smith, ITN industrial editor and chairman of the ITN branch of the National Union of Journalists, said the protest was over the fundamental principles involved in the Government's attempt to censor the BBC. "The only way to make our protest felt was by taking this drastic action," Mr Smith said. The action will include Channel 4 news journalists.

ITN management described the planned action as "misguided, damaging and unconstitutional."

Mr Vincent Hanna, of the BBC current affairs NUJ branch, said reports were already coming in from Central America of British journalists being called stooges of the British Government. "That could put their lives at risk," Mr Hanna claimed.

Three-quarters of NUJ branches at the BBC have now supported the strike call and all Corporation journalists are to receive an instruction to walk out on Wednesday.

Mr Hanna believed that if the technical unions refused to cross NUJ picket lines, all BBC programmes might be blacked out.

Union branches at Thames Television, TV-am and Independent Radio News will meet on Monday to consider supporting the strike.

Mr Austen Kark, managing director of BBC External Services, criticised the governors' decision, saying it had put the external services in a very difficult position. "Anybody who wants to criticise us now finds it a great deal easier to do so," Mr Kark said.

Continued on Back Page
Fears of ITV disruption, Page 4

Hopes fade for interest rate cut

By Robin Pauley

HOPES of a further early cut in UK interest rates vanished yesterday when sterling continued to be the currency few in the markets loved or wanted.

It lost almost two cents against the dollar and four pfennigs against the D-mark in thin and erratic trading.

The Sterling Index, which measures its value against a basket of currencies, slipped another full point to 81.1. It has fallen by more than 4 per cent in a week.

Sterling's fall, particularly its four cent drop against the dollar in two days, appears to have been too fast for the authorities, and dealers said last night they were convinced the Bank of England had stepped in to help.

There is reason for the sudden and dramatic offloading of sterling other than that after a prolonged period of popularity its friends have turned against it.

Continued on Back Page
Money Markets, Page 11;
Lex, Back Page

Corfield resigns from STC after recent profit fall

BY GUY DE JONQUIERES

SIR KENNETH CORFIELD resigned yesterday as chairman and chief executive of STC, the telecommunications and computer company which has recently suffered a sharp deterioration in profits.


Sir Kenneth Corfield

He has been replaced by Lord Keith of Castleacre, 68, a non-executive director of STC and former chairman of the Rolls-Royce aero-engine company. Lord Keith will act as chief executive until a permanent successor is named.

STC said that "active negotiations" were taking place for the appointment of a new chief executive. It gave no reason for the resignation of Sir Kenneth, 61, who joined STC 16 years ago and has been chairman since 1979.

Uncertainty about Sir Kenneth's future has grown since STC's share price fell sharply after it raised £163m last February through a rights issue priced at 190p. Its share price which sank to 86p earlier this summer, closed unchanged at 106p yesterday.

STC warned a month ago that its results for the six months to June 30, due out next Friday, would show an attributable loss after extraordinary charges compared with a pre-tax profit of £52.3m in the same period last year.

Top management changes at STC soon after it published its half-year figures had been widely expected in the City. It had been assumed, however, that Sir Kenneth, who was paid £297,000 last year, would relinquish the chief executive role but remain as chairman.

STC's failure to name immediately a permanent chief executive suggests that the post is unlikely to be filled from within the company, and that efforts may still be under way to attract an outside candidate.

The timing of Sir Kenneth's decision surprised senior STC managers. Only a few days ago, the company distributed to staff an article entitled "Our plans for the future," in which he outlined STC's strategy for integrating its business with that of ICL, the computer maker it acquired for £411m last year.

It was not clear yesterday whether his resignation was prompted by pressure from City institutions or non-executive STC directors. These include three board members nominated by ITT of the U.S., which owns 34.5 per cent of STC, as well as Mr Robb Wilmot, ICL chairman, Mr David Montagu, the merchant banker, and Prince Michael of Kent.

ITT declined to comment yesterday, though it is understood to have viewed the recent deterioration in STC's performance with increasing concern.

A month ago Mr Peter Laister resigned as chairman and chief executive of Thorn EMI, the large electronics and entertainment company, after losing the confidence of its non-executive directors.

Doubts were expressed in the City yesterday about whether, after Sir Kenneth's resignation, STC would stand by its earlier promise to try to maintain this year's interim and full-year dividends at the same level as last year.

STC has blamed poorer profits on tougher trading conditions since March in its components, telecommunications and submarine cable businesses. It has said that ICL has performed satisfactorily.

Sir Kenneth would normally have been due to retire as STC's chairman when he turned 62 next January. Under the company's rules, however, he could have elected to stay on for a further three years.

Earlier this week, Sir Kenneth's leading article in "Convergence," the STC employee newspaper, had discussed the group's current difficulties, as well as his plans for the future.

He recognised that STC's cost base had grown faster than its sales, and that the cost base needed to be brought under control.

Yet he also emphasised the positive aspects of "a £2bn group" which was "well established for the rest of this decade and the years leading up to the turn of the century."

Lex, Back Page

WEEKEND FT

HIROSHIMA

Forty years ago, Hiroshima suffered the worst that war could produce. Today, it is firm in its pursuit of peace. Jurek Martin looks at the contradictions that have emerged.

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FINANCE

If you have been losing money on your investments, you might consult your psychiatrist instead of your broker.

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DIVERSIONS

Style that lingers on: the Moriono Fortuny collection.

Page IX

HEALTH

Lame excuses: too much jogging can seriously damage your health.

Page VIII

MARKETS

DOLLAR

New York lunchtime:
DM 2.83075
FFr 8.632
SwFr 2.3155
Y237.5

London:
DM 2.825 (2.8215)
FFr 8.615 (8.59)
SwFr 2.3115 (2.32)
Y237.4 (237.55)
Dollar index 137.5 (137.4)
Tokyo close Y237.5

U.S. LUNCHTIME RATES

Fed Funds 8%
3-month Treasury Bills 7.3%
Long Bond 104½
yield 10.76

GOLD

New York: Comex October latest $324.4
London: $320.75 ($322.5)

STERLING

New York lunchtime $1.363
London: $1.3715 (1.383)
DM 3.87 (3.9)
FFr 11.8 (11.86)
SwFr 3.18 (3.2)
Y325.75 (327.75)
Sterling Index 81.1 (82.1)

LONDON MONEY

3-month interbank:
Closing rate 11⅞% (11¾)
3-month eligible bills:
buying rate 11⅛% (11¼)

STOCK INDICES

FT Ord 951.1 (−8.8)
FT-A All Share 615.95 (−0.2%)
FT-SE 100 1,280.4 (−6.8)
FT-A long gilt yield index:
High coupon 10.29 (10.25)
New York lunchtime:
DJ Ind Av 1,350.47 (−5.15)
Tokyo:
Nikkei Dow 12,525.96 (−12.38)

Chief price changes yesterday, Back Page

CONTINENTAL SELLING PRICES: Austria Sch 18; Belgium Fr 42; Denmark Kr 7.25; France Fr 8.00 W. Germany DM 2.20; Italy L1,300; Netherlands Fl 2.50; Norway Kr 6.00; Portugal Esc 80; Spain Pta 110; Sweden Kr 6.50; Switzerland Fr 2.20;

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For London market and latest share index 01-246 8026; overseas markets, 01-246 8086

Black miners to meet on strike tactics

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S black National Union of Mineworkers (NUM) are due to start talks today in the Orange Free State town of Welkom on strategies for industrial action which could disrupt gold and coal production by the middle of next week.

The dispute between the NUM and the Chamber of Mines centres on wage claims. Negotiations broke down at the end of June, with the chamber deciding to grant unilateral wage increases of between 14.1 per cent and 19.6 per cent to the 550,000 blacks employed by the gold and coal industries.

The NUM had called for 22 per cent across-the-board increases in addition to other benefits, and in the wake of the chamber's rejection had conducted a ballot in which members overwhelmingly supported a strike call.

Union spokesmen decline to discuss their possible strategy, but observers believe that rather than clash head-on with employers in an unlimited strike, the NUM will try to organise 24-hour stoppages designed to cause as much disruption as possible.

The union, which claims a signed-up membership of 200,000 and a paid-up membership of 95,000, does not have a substantial strike fund.

A further union consideration is the recent threat by Mr P. W. Botha, the South African president, to deport foreign workers if sanctions are applied against South Africa.

In 1984, a similar dispute was settled at the 11th hour, but not before stoppages and bloody confrontations between strikers and police in which seven miners died. In the current climate of unrest, a further round of such confrontations could prove more serious.

There was growing anger among black South Africans yesterday at the news of the murder on Thursday night of Mrs Nonyamezelo Mxenge, a leading civil rights lawyer.

Mrs Mxenge was shot dead by four men outside her Durban home. She had been the instructing defence attorney in the current trial on treason charges of 16 anti-apartheid activists. Mrs Mxenge's husband, also a lawyer, was stabbed to death four years ago.

● An executive member of South Africa's banned African National Congress (ANC), Mr Johnstone Makatini, warned in London yesterday that "a revolution was beginning" in the Republic, Michael Holman writes.

THE THREAT of a right-wing filibuster in the U.S. Senate delayed final congressional approval of economic sanctions until after the month-long summer recess that began yesterday, writes Reginald Dale. But Senator Robert Dole, the majority leader, promised to give sanctions the top priority when the Senate reconvenes on September 9, and there was little doubt that the measure would pass easily.

After a 380-48 vote in favour in the House of Representatives on Thursday, even conservative Republicans warned President Ronald Reagan against a veto. "If the president fails to sign this Bill, it will be one of the most serious mistakes of his presidency," said Mr Vin Weber, a Republican from Minnesota. Nevertheless, the New York Times quoted "authoritative administration officials" as saying that Mr Reagan was determined to veto the Bill.

Reagan pledges tight rein on spending despite budget cuts

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan yesterday promised continued fiscal austerity after a weary Congress unenthusiastically approved a 1986 budget intended to cut the coming year's deficit by an estimated \$55.5bn-\$57bn.

As congressmen rushed out of Washington to begin the month-long summer recess, Mr Reagan described their lengthy efforts as "only a beginning, not an end," and said that he would keep his "veto pen" ready to slash excessive appropriations in the months ahead.

Mr Reagan's grudging welcome for the hard-fought compromise was in keeping with the general mood on Capitol Hill, where both Republicans and Democrats finally resigned themselves on Thursday night to a budget resolution that fulfilled few of their original ambitions for a significant attack on the deficit.

"It's a small step forward, not a big step, but again it's better than nothing at all," said Mr Robert Dole, the Senate Majority Leader. "We really haven't cut federal spending . . . and we really haven't reduced the deficit all that much," he said in a television interview.

Mr Dole said he doubted whether Congress would fulfil all the commitments contained in the budget resolution and predicted that the real savings in fiscal 1986, which begins on October 1, would be closer to \$40bn (£28.5bn). The independent Congressional budget office has already put the figure at \$39bn.

Mr Pete Domenici, the Senate Budget Committee Chairman, and a principal architect of the compromises, admitted that nobody "can say it is the greatest."

But he added that a plan to cut \$277bn over the three fiscal years 1986-88 could hardly be described as insignificant. "It is only the biggest budget cut in the history of the Republic," he added wryly.

The budget finally adopted represents a considerable change of emphasis from the proposals originally put forward by Mr Reagan in February, sharply reducing his request for military spending, while preserving nearly all of the domestic programmes that he wanted to eliminate.

But it meets his original demand that there be no new general tax increase and his later insistence that social security remain untouched.

The budget proposes spending \$967.6bn against \$795.7bn in revenue in the coming year, resulting in a \$171.9bn deficit, against \$210bn in the current year. It aims to reduce the deficit to \$113bn in fiscal 1988.

It puts a ceiling on defence spending authority of \$302.5bn in 1986, in line with the expected increase in inflation, as proposed by the Senate. For the next two years, spending authority would rise by 3 per cent a year above the inflation rate.

Paul Taylor in New York writes: On Wall Street, the package received only a half-hearted cautious welcome as a step in the right direction.

Senior private-sector economists were virtually unanimous in disputing the size of the projected savings and a few such as Mr Donald Maude of Refco Partners went as far as to call the package "a joke."

Mr Allen Sinai, Shearson Lehman Brother's chief economist, said he could identify only about \$22.2bn in "bona fide" savings.

Wall Street's initial disappointment was immediately evident in the markets yesterday morning where bond prices fell sharply, short-term U.S. interest rates moved modestly higher, and stock prices marked time.

By lunchtime, the Treasury long bond was almost a full point lower at 104[illegible] while the Dow Jones Industrial Average had slipped by a few points.

U.S. UNEMPLOYMENT in July held steady at 7.3 per cent for the sixth consecutive month, the Labour Department reported yesterday.

Total civilian employment rose by nearly 500,000 in July, after a decline in June, with 243,00 jobs created in the non-agricultural sector.

More alarming are figures showing black unemployment rising from 14.0 to 15.0 per cent, and a sharp increase in teenage unemployment from 18.3 to 19.5 per cent. Joblessness among Hispanics increased from 10.6 to 11.2 per cent, while white unemployment declined from 6.5 to 6.4 per cent.

Shultz given firm backing by White House

THE WHITE HOUSE has strongly defended Mr George Shultz, the U.S. State Secretary, against mounting right-wing criticism and demands for his resignation, writes Reginald Dale in Washington. Describing Mr Shultz as "an outstanding Secretary of State," Mr Larry Speakes, the White House spokesman, said he had President Ronald Reagan's "full wholehearted support" and would remain in his job as long as he wished.

The statement came after a "summit meeting" of influential conservative groups launched a full-scale campaign for Mr Shultz's removal at a day-long rally in Washington on Thursday. They accuse him of undermining Mr Reagan's anti-Communist principles and surrendering the conduct of U.S. foreign policy to "liberal" career diplomats. They promised a massive public drive against him, involving rallies, "truth squads," direct mail and media campaigns.

W. German jobless up by 61,000

WEST GERMAN unemployment rose last month by 61,000 to 2.22m or 9 per cent of the total workforce, compared with 8.7 per cent in June. Rupert Cornwall reports from Bonn.

The holiday closures of many West German factories meant that on a seasonally-adjusted basis, the number of those without work dropped by 20,000.

But the figures, announced by the Federal Labour Office in Nuremburg yesterday, still suggest West Germany's steady economic recovery is still not significantly feeding through into the labour market.

The Social Democrat (SPD) opposition last night talked of a continuing "catastrophe" in unemployment, pointing out that the July figures were the worst for that month in any year since the inception of the Federal Republic.

Portugal in drive to demolish shanty towns

PORTUGAL'S outgoing Government has drawn up plans to demolish every one of the country's more than 22,000 shanty dwellings and build new homes for their inhabitants within eight years, Our Lisbon Correspondent reports.

The scheme is also expected to ease a drastic slump in the construction industry.

A decree-law setting out the terms of an accord by which local authorities are encouraged to donate free building land for housing projects that will be put to public tender by the central adminstration has been approved by the Cabinet. There has been no indication of the money earmarked for the scheme.

Nicaragua guerrillas cut highway

U.S.-BACKED guerrillas succeeded in cutting the Pan-American Highway in Nicaragua for four hours at the small northern town of La Trinidad, Tim Coone reports from Managua.

The rightist guerrillas, or Contras, damaged a police station, a health clinic and a grain store, and burned several buses travelling on the highway before being beaten off by local militia and regular army units.

A commando unit also partially damaged two nearby bridges on the highway with explosives, impeding the flow of heavy vehicles along the route.

According to the Ministry of Defence, 33 guerrillas were killed in the attack and their subsequent pursuit by the army, which admitted the loss of eight

Okello holds talks with Ugandan parties

BY MARY ANNE FITZGERALD IN NAIROBI

UGANDA'S head of state, Lt-Gen Tito Okello, and Mr Paulo Muwanga, the newly-appointed Prime Minister, continued consultations with the country's four political parties yesterday in an effort to form an interim Government that will pave the way for elections a year from now.

Talks were initiated on Thursday with the Democratic Party's Mr Paul Semogerere, leader of the opposition in the now-dissolved parliament, and representatives of Dr Milton Obote's Uganda Peoples' Congress, the Conservative Party, and the Uganda Patriotic Movement.

The quick overture, five days after last Saturday's coup, towards both Dr Obote's followers and his opposition, is a clear signal that Uganda's Military Council is eager to form a broad-based civilian Cabinet to unite the country's various political factions.

The council yesterday announced the re-opening of Uganda's borders, closed since the coup one week ago, but the airport remains closed. Travel in and out of Uganda had been virtually halted apart from emergency convoys of foreigners fleeing the country.

Mr Muwanga also called on guerrilla bands to lay down their arms and join the new regime. But the underground National Resistance Movement led by Mr Yoweri Museveni yesterday reiterated its refusal to endorse the reconciliation process.

Lt-Gen. Okello on Thursday, accused Dr Obote or "robbing the central bank of enough cash to run the country for three years" before he had fled to Kenya.

He also demanded that the deposed leader be extradited. Dr Obote's whereabouts is still unknown although he is thought to have sought refuge in another African country.

Reports of wide-scale resistance to the new regime have been officially denied, according to Radio Uganda. However, there have been isolated instances of fighting, diplomats confirmed.

A Ugandan Asian family in Kampala said yesterday that their home had been stripped of possessions by 20 soldiers that morning, but that no one had been hurt.

Patti Waldmeir adds: Mr Godfrey Binaisa, a former Ugandan President, yesterday claimed that troops loyal to him had surrounded Kampala, and were preparing to seize control of the capital.

Observers expressed considerable scepticism at this claim, however, noting that Mr Binaisa, who ruled Uganda briefly after the overthrow of General Idi Amin in 1979, was not known to command any support among the Ugandan armed forces.

Mr Binaisa told a Press conference in London that the coup which toppled President Obote last Saturday had been prompted by the threat that the forces of Mr Binaisa's own Uganda National Umbrella Organisation, and its shadowy sister organisations, the Uganda Freedom Movement and the Federal Democratic Movement, would otherwise have taken power.

Citicorp's insurance bid blocked

By Paul Taylor in New York

THE U.S. Federal Reserve Board, in a landmark ruling, has turned down a request by Citicorp, the world's largest banking group, to buy a small bank in South Dakota which the New York-based group planned to use to enter the nationwide insurance underwriting business.

The Fed decision appears to be a serious setback for Citicorp, which has moved aggressively to expand its own banking powers. But it is also a blow for the whole U.S. banking industry since it effectively means that, without a change in federal law, bank holding companies can not enter the insurance business.

The ruling is also seen by bank lawyers as a more general potential threat to banks' attempts to enter other non-insurance businesses.

Citicorp had sought permission two years ago to acquire American State Bank of Rapid City, South Dakota. Under the laws of that state locally chartered banks are allowed to engage in all aspects of the insurance business, including underwriting. Citicorp had planned to exploit this loophole.

However, the Fed governors, including Mr Paul Volcker, the chairman, in a 5-0 vote with two governors not voting, blocked the move citing federal law under the 1956 Bank Holding Company Act. This prohibits a bank holding company from entering businesses other than banking or closely related activities.

They noted that Congress specifically stated three years ago that insurance activities are not closely related to banking.

Citicorp says it is confident that the Fed's move will eventually be reversed, however it has not decided whether to appeal.

Marcos poll move welcomed

By Chris Sherwell

PRESIDENT Ferdinand Marcos's threat to call a presidential election in November and to dissolve the Philippines National Assembly was welcomed yesterday by key opposition figures mounting a campaign to impeach him.

The impeachment moves are based on allegations, published in the U.S. and in Manila, that Mr Marcos, his wife Imelda and their closest associates have amassed vast amounts of wealth in the U.S. and elsewhere.

A group of 53 opposition MPs hope to file a motion in parliament next week which accuses Mr Marcos of violating the constitution and negligence in his duties.

The motion would face certain defeat because the President's ruling KBL (New Society Movement) party has an overwhelming majority.

KBL leaders raised the idea of a snap election at a caucus meeting on Thursday night, but postponed any firm decision, apparently in a bid to block the impeachment move.

An impeachment motion would would be the first in Mr Marcos's 20-year rule and could be expected to damage his image abroad.

Mr Salvador Laurel, head of the Unido opposition coalition and a declared candidate for the next presidential election, welcomed the prospect of an early poll. So did Mrs Cecilia Munoz-Palma, an MP who co-ordinates efforts to unify the fragmented opposition.

Both said a presidential and vice-presidential candidate could be fielded within 72 hours.

Peru announces freeze on debt repayments

BY HUGH O'SHAUGHNESSY

PERU has announced the postponement of all repayments on its multi-billion dollar foreign debt to commercial banks. Peru has not been repaying principle to banks and creditor governments since March 1983 and interest payments have been largely suspended since July last year so the decision formalises a de facto position.

The measure, announced on Thursday in the official gazette El Peruano, covered obligations on the government, state companies and the central bank.

Peru is to summon a meeting of the steering committee of its commercial bank creditors following President Alan Garcia's decision to pay no more than 10 per cent of the country's export earnings on foreign debt servicing.

The exchange rate is to remain frozen at about 14,000 soles to the U.S. dollar and domestic bank interest is being cut from 280 per cent to a maximum of 110 per cent per annum.

A free market is to be maintained for those wishing to buy dollars for private use.

Prime Minister Luis Alva Castro said the fixed rate, coupled with the interest rate cuts, would help business comply with the price freeze on goods and services announced on Wednesday.

The measures are aimed at reducing an annual inflation rate of about 168 per cent.

● Commercial bankers of the Group of 14 completed two days of talks in Paris yesterday on Third World debt with representatives of the International Monetary Fund, the World Bank and other international financial institutions.

Among those present was Mr William Rhoades of Citicorp. The meeting, the latest in a series of unpublicised contacts between the leading commercial banks and the multilateral financial organisations, broke up with no comment.

Zimbabwe puts up milk and sugar prices

By Tony Hawkins in Harare

THE ZIMBABWE Government yesterday announced higher prices for milk and sugar—food price increases which economists said had long been expected.

In his 1985 budget presented this week, Dr Bernard Chidzero, Finance Minister, announced a reduction in the real level of food subsidies, sparking speculation about a round of food price rises.

It was announced yesterday that the price of milk has increased by two cents for a pint and sugar by five cents a pound.

Higher prices for maize meal and meat are expected to be announced shortly, while oil company officials say that higher petrol prices are inevitable and will be announced soon.

Meanwhile, Mr Joshua Nkomo, leader of Zimbabwe's main opposition party, Zapu, said police had raided his home in Bulawayo and arrested 12 people.

IMF warns on Cairo balance of payments

BY TONY WALKER IN CAIRO

THE International Monetary Fund is predicting an overall balance of payments deficit for Egypt in 1984-85 of \$1.3bn (£1bn), a marked deterioration over last year's modest surplus.

According to an IMF report in June Egypt's current account deficit will grow by \$400m to \$1.85bn, mainly because of a fall in workers' remittances.

Net capital inflows will be down about \$600m because of large external debt repayments.

The IMF, which sent a team to Egypt in April, is concerned about a "substantial deterioration" in the balance of payments in the fiscal year ended June 1985.

It recommended a series of steps to arrest the slide, including more pricing systems reforms, a move towards a unified exchange rate, restraint on public sector spending, interest rate adjustment, prudence in borrowings and better monitoring of external debt.

The IMF was concerned about Egypt's commitments on its public sector external debt (no figure was given for private sector external borrowings) which it estimated at \$32.5bn. It noted the "low level" of the Egyptian central bank's gross assets of \$2.7bn, equivalent to just over three months of imports.

Another indication of pressure onthe balance of payments, the IMF said, wasthe steady widening of commercial banks' net foreign currency liabilities to \$2bn, as of February 1, 1985.

External debt servicing is estimated at 35 per cent of current account receipts. The IMF also notes the build-up of external payments arrears on servicing of military debt. Egypt is behind in its repayments to the U.S. for military equipment.

The IMF expects exports to stagnate at their 1983-84 level, and sees imports down about 5 per cent this year.

Israeli raid on Beirut kills pro-Syrian activists

BY NORA BOUSTANY IN BEIRUT

ISRAELI AIRCRAFT yesterday bombed a base of a pro-Syrian Lebanese party in central Lebanon, killing two of its activists and wounding two others in apparent retaliation for suicide attacks against Israeli soldiers and their allies in South Lebanon.

The raid by F-4 Phantoms on the building housing offices of the National Syrian Social Party in the east Lebanese town of Chtaura came two days after a member of the group carried out a suicide mission inside Israel's self-declared "security zone" in south Lebanon.

Ali Ghazi Taleb, the latest in a new breed of Lebanese martyrs determined to drive Israel out of South Lebanon, rammed an explosives-laden car into an Israeli patrol on Wednesday killing at least one Lebanese civilian and wounding two Israeli soldiers.

Yesterday's air strike was the second this week but the first such operation targetting a Lebanese rather than a Palestinian base. The National Syrian Social Party has offered suicide bombers for kamikaze missions against the narrow border strip.

Party official Hafez Sayegh vowed that the raid would not hamper more attacks. At a Press conference at the ruins of his party offices in Chtaura, Sayegh said stepped-up attacks last month had angered the Israelis. He vowed that NSS guerrillas would launch raids "into the heart of Israel."

Sayegh added that files, arms and ammunition had been moved from the building in anticipation of an Israeli air strike, the ninth this year. He claimed his party had carried out six suicide attacks against Israeli soldiers or their client South Lebanon Army militia in the past 18 months.

Our Tel Aviv Correspondent writes: Israeli occupation forces yesterday closed An-Najah University, the largest Palestinian campus in the West Bank, for two months. The army accused students of incitement against Israel.

Britain delighted at decision France believes was inevitable

FT correspondents report on European reaction to the three-nation fighter agreement

BRITAIN IS delighted at the decision to go ahead with a three-nation European fighter aircraft (EFA), Mr Michael Heseltine, the Defence Secretary, said yesterday, writes Bridget Bloom, Defence Correspondent.

Mr Heseltine, who has been one of the staunchest supporters of the five-nation plans, refused to acknowledge that the decision of France and Spain not to join Britain, West Germany and Italy in developing the new aircraft was in any way a failure for European arms collaboration.

The five-nation project — which has been under negotiation for almost two years — had "almost always looked impossibly ambitious," he said. The three-nation agreement would provide a "clear and firm foundation for a major collaborative programme for the 1990s." The door would be kept open for other countries to join.

Relief that a decision had been taken at last, and that the deal struck is advantageous to Britain, were the overwhelming sentiments expressed by industry and the trade unions involved yesterday.

Warm endorsement of the decision was given at Mr Heseltine's news conference by Sir Raymond Lygo, managing director of British Aerospace, Britain's lead contractor for the new aircraft. Bae officials said privately they only wished the decision had come a year earlier.

Sir Raymond said the new aircraft would help maintain up to 30,000 jobs in the aerospace industry. Tass, the main trade union involved, also welcomed the decision.

Mr Heseltine confirmed that Britain and West Germany will both order around 250 aircraft, and will have equivalent shareholdings and workshares of 38 per cent in the joint venture. The Italian share will be 24 per cent. These figures would obviously change if Spain changed its mind or if other countries joined.

● The view in Paris was that failure to reach agreement on a five-nation EFA was inevitable given the lack of basic accord over the aircraft's specifications, writes David Marsh in Paris. France will now go ahead with developing its light 8.5 tonne basic weight Rafale ground attack fighter which Dassault-Breguet, the state-controlled military jet manufacturer, plans to fly in a slightly heavier prototype form next May or June.

The Defence Ministry's response to the decision was decidedly low-key. Officials said they regretted Europe's lack of ability to agree on co-operation, which could well cast a shadow over collaboration in other spheres, notably the French-inspired Eureka technology programme.

Although France theoretically still has two weeks to sign the accord reached by Britain, West Germany and Italy, M Charles Hernu, the Defence Minister, clearly has no possibility of over-riding the decision of his armaments director and acceding to the deal.

He has been a staunch supporter of five-nation collaboration on political and cost grounds. But he has come under increasing pressure in recent months to take a tough line.

The air force has been insisting on a light aircraft for the 1990s on the grounds that Dassault's Mirage 2000 interceptor, which started to enter service last year, will carry out the air superiority role which Britain wants the EFA to fulfil.

Additionally, the aerospace industry—led by Dassault but backed by Snecma, the aero-engine company, the avionics makers and a powerful consortium of trade unions—has been unanimous in seeking a dominant share of the technology and the work involved in any collaboration venture.

The Defence Ministry itself has been wary that agreement on a heavier aircraft could have ended up increasing costs, lowering the possibility of export sales and letting slip French technological know-how built up over 30 years of constructing Mirage jets.

Dassault yesterday studiously made "no comment" on the Bonn announcement. The almost uninterested response from the aircraft industry—where many top officials are on holiday—seemed to confirm the suspicions of British officials that the five-nation EFA had represented France's subsidiary ambition all along, with the over-riding objective all along being the lighter Rafale type aircraft.

● Troubled West German officials moved quietly yesterday to try deflect any damage to Bonn's much touted relationship with Paris, writes Peter Bruce in Bonn.

Chancellor Helmut Kohl is due to hold long scheduled talks with President Francois Mitterrand in Strasbourg later this month and there are fears here that the decision to move ahead on the fighter project without the French could sour the meeting.

The West Germans are acutely conscious that the insistence of the Luftwaffe on a much heavier and more flexible aircraft than that proposed by Paris had probably encouraged the British, whose preliminary designs competed with the French proposals, not to give way.

It is also possible, however, that the relatively subdued response here to the final collapse of the five-nation collaboration talks is misleading. A three-nation project is likely to cost Bonn considerably more, with estimates of the development budget for the aircraft in a reduced consortium jumping from DM 4bn (£1bn) to DM 5bn.

There seems little doubt, however, that the West German aerospace industry, particularly the engine producer, MTU, is pleased with the final resolution MTU is likely to win a significant share of the engine contract.

A brief statement declared that the Government hoped it would be possible that all five countries might decide to join the programme by August 15. The accord reached in Turin was being presented as a technical compromise which might still prove attractive to France and Spain, though rather in hope than in expectation that this might be so.

With Italy acting as host to the Turin meeting, Sig Giovanni Spadolini, the Italian Defence Minister, held a series of telephone conversations with his ministerial counterparts in West Germany, the UK and Spain apparently with the hope of reaching a solution attractive to France.

Aeritalia, the Italian state-owned aerospace company was clearly pleased at the accord and stressed that the Experimental Aircraft Prototype (EAP) which is being developed by British Aerospace, with some Aeritalia participation, will incorporate "all of the most avant garde fighter technology which will be needed for the European fighter aircraft."

The company said it would be shipping wings for the EAP to British Aerospace in the next few weeks. The prototype should be ready to fly by mid-1986, according to the Italian company.

● Spain may still decide to join Britain, West Germany and Italy in the project before the August 15 deadline, military experts here believe, writes David White in Madrid.

Sr Narcis Serra, the Defence Minister, was understood to have discussed the details of the three-nation agreement with armaments chiefs yesterday. Spanish representatives at the Turin meeting had made clear they could not sign before consulting on several points of the project. Defence spokesmen were not available for comment.

Spanish officials have all along kept their cards close to their chest about their position. But during earlier stages of discussion, Spain has been considered to be ready on both industrial and military grounds to support the British proposal for an aircraft geared mainly to an air-superiority role, larger and higher-powered than the dual-role ground-attack aircraft foreseen by the French.

However, the Spanish have come under considerable political pressure from France in recent weeks, with a visit by M Hernu, the French Defence Minister, and with a wide-ranging bilateral agreement reached during King Juan Carlos's visit to Paris.

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Property group cuts link with surveyor

By Michael Cassell

STOCK CONVERSION, the UK property group, has severed a 20-year relationship with Jones Lang Wootton, the chartered surveyors, who gave advice on the group's portfolio to a company bidding for 22 per cent of Stock Conversion's equity.

In April this year, Stockley, the Jacob Rothschild-backed property company, outbid several other contenders for the Stock Conversion shares owned by the family of the late Mr Robert Clark, the group's former chairman.

Stockley subsequently revealed in a shareholders' circular distributed by Morgan Grenfell, that it had undertaken a joint study with Jones Lang Wootton of Stock Conversion's investment portfolio.

The disclosure apparently provoked immediate concern within Stock Conversion, which, at the time, was using Jones Lang Wootton as letting agents on several of its properties.

Stock Conversion said yesterday that it had for many years "enjoyed a longstanding relationship" with JLW and that it was "a matter of considerable regret" that Jones Lang Wootton should have agreed, without prior notification, to assist Stockley in studying the group's property portfolio.

The Stock Conversion statement added: "Although assurances have been given that there has been no breach of confidentiality, the board considers it inappropriae for Jones Lang Wootton to continue to act for Stock Conversion in these circumstances. After failing to resolve this issue to the satisfaction of Stock Conversion, the board has terminated all its instructions to Jones Lang Wootton."

As a result, current letting instructions on two developments in Glasgow—involving about 130,000 sq ft of office space—have been taken away from Jones Lang Wootton and given to Richard Ellis, another big chartered surveying and agency practice.

In a statement issued last night, Mr Keith Douglas-Mann, chairman of the London partnership of Jones Lang Wootton, said the practice did not think any useful purpose would be served by enlarging on the circumstances surrounding the disagreement, other than to say there had been no branch of client confidentiality. He added: "We have in no way acted improperly in fulfilling the instructions received from Stockley and accepted by this firm. Naturally, we greatly regret the decision taken by the board of Stock Conversion."

Builder to settle Ronan Point claim

By Joan Gray, Construction Correspondent

TAYLOR WOODROW-Anglian has agreed to pay £1m to the London Borough of Newham in an out-of-court settlement of all claims following the massive gas explosion which damaged the Ronan Point tower block in 1968 and killed five.

Taylor Woodrow-Anglian, a related company of Taylor-Woodrow, the contractors, built 47 tower blocks in a similar design to Ronan Point, mainly around London.

No other claims are outstanding against the company concerning these blocks, which it stopped building more than a decade ago.

In the legal action by Newham against Taylor Woodrow-Anglian, which began in 1970, the company denied liability and was cleared of negligence.

However, the judge ruled that, even though the company was not guilty of negligence, some bye-laws had not been fully complied with, and as a result of this ruling the argument remained over the assessment of damages.

The matter was due to come to court for settlement in November, and the payment of £1m was made to avoid this further litigation.

Taylor Woodrow-Anglian always denied liability on the grounds that the gas explosion subjected the building to stresses which could not have been foreseen.

The High Court found that the pressure generated by the explosion amounted to 1,700 lbs per sq ft. This is much greater than the pressure designers were then, and are now, required to allow for, and was the largest domestic gas explosion recorded.

Computerisation project launched

MR NORMAN FOWLER, the Social Services Secretary, launched a computerisation programme which, he said, was the largest series of computer projects undertaken by the Government. It was the first step in a plan for complete modernisation by the early 1990s.

Mr Fowler was at Bradford Street, Birmingham, one of the first 12 supplementary benefit offices in the country to intro-

Wedd Durlacher leads latest City job transfers

BY JOHN MOORE, CITY CORRESPONDENT

DURING aonther day of important staff changes in the City, Wedd Durlacher Mordaunt, one of the largest stockjobbers or market-makers on the Stock Exchange, has recruited a senior dealer from rival market-maker Akroyd & Smithers.

He is Mr Alan Brislowe, a dealer on the oil book at Akroyd. In the market yesterday it was rumoured that he is to be paid a six-figure salary.

In the last week it has been revealed that Akroyd had lost three other dealers—two who joined broker Wood Mackenzie, and one who joined broker Grieveson Grant. Wedd Durlacher has moved, with its latest appointment, to rebuild the oil team which it largely lost when eight of its dealers resigned in the last few weeks.

But the latest move yesterday surprised the City, as it had been believed that the management of Akroyd & Smithers and Wedd Durlacher had agreed that there would be no poaching of staff between the two groups. Any such agreement now appears to have crumbled and this is likely to give further impetus to the tendency to change personnel now under way in the City.

In other moves yesterday, brokers Capel-Cure Myers recruited five people, including one partner from brokers Buckmaster & Moore. It has recruited another broker from Astaire and Co.

Capel-Cure Myers appointments are Mr David Grant, a partner with Buckmaster, and four of his colleagues in the international department. The four are: Mr Tony Conway, Mr Graham Fraser, Mr Derek Hambridge, and Mr Chris Mantel. Mr Robin Derville, a Scandinavian specialist, is also joining.

Mr Andrew Beeson, a partner with Capel-Cure Myers, said that the moves were designed to strengthen its coverage of the international securities market and will bring its total team up to eight.

Capel Cure now offers investment services in France, the Netherlands, Switzerland and the Gulf. This is to be extended to institutions in Norway, Sweden, Denmark, Germany, Hong Kong, Singapore and the U.S.

This broker has forged a link with Australia and New Zealand Banking Group, and the recruitments form part of the bank's strategy to provide a full range of merchant banking, commercial banking and investment management services.

In another move yesterday, Mr Peter Jones, a partner with broker Laing and Cruickshank, which is linking with Mercantile House, the international financial group, is to join Bankers Trust, the U.S. bank, to work on mergers and acquisitions.

People Express picks Brussels

BY LYNTON McLAIN

PEOPLE Express is to start a jumbo-jet service between Brussels and Newark, New Jersey. The airline would have preferred to start the service from Stansted Airport, near London, but this was rejected by the Government.

Stansted is the Government's choice to be the third London airport and the People Express service would have been Stansted's first scheduled transatlantic passenger service.

The low-fare U.S. airline has failed to persuade the Government to allow it to increase the frequency of its flights from Gatwick Airport, and to start a daily service from Stansted. In the peak summer season, People Express flies up to 10 times a week from Gatwick. Last year, the airline carried 331,751 passengers over the Atlantic, at an average load factor of 87 per cent.

"We have been shackled by the Government, which cuts our frequencies to five a week from November 1," the airline said. "The 490-seat Boeing 747 for the Brussels service would have gone to Stansted. We could wait no longer for the Government to give us the Stansted licence."

The Brussels service will start on September 8 with a £70 single fare, about what People Express would charge if it had started from Stansted. The fare is one of the lowest between Europe and the U.S., but will rise to £107 on October 1.

"The Brussels service has tremendous economic potential, with 20m to 25m people from France to Scandinavia, within 300 miles of the city," the airline said.

"The start of the Brussels service in no way dampens our interest in Stansted," it added. People Express met Transport Department officials yesterday to urge them to accept its 12-month-old application to fly from Stansted.

The airline was optimistic that a more favourable departmental decision about Stansted could be taken within two months.

PASSENGERS on a daily service between Gatwick Airport and Orlando, Florida, to start on September 5, are to be given $250 (£181) each.

World Airways, announcing the service yesterday, said: "Rather than splash money around on advertising, we are given it to passengers and letting them advertise by word of mouth." British Government approval for the gifts, as cheques drawn on an Orlando Bank, is still awaited. The promotion would last until October 15.

Thomson to revive SkyTours

BY ARTHUR SANDLES

THOMSON HOLIDAYS, the Thomson Organisation subsidiary whose package tour market leadership is being challenged by Intasun, is to launch a tour company, SkyTours, aimed at the budget end of the market.

In the past two years Intasun has launched Lancaster Holidays and Horizon, another big tour rival, produced a programme under the Broadway label. The Thomson move is a departure from company policy of keeping activities under the main banner — apart from Portland, its direct-selling company.

In picking the name, SkyTours, Tbmoson has dusted off an old brand. SkyTours was among the names which 15 years ago formed the basis of the Thomson Travel Group.

The name was killed a year later but company research has indicated, according to Mr Paul Brett, Thomson Holidays managing director, that it is still remembered favourably, particularly in the North of England.

A programme of tours to the main package tour destinations of the Mediterranean, particularly Spain, will be prepared for next summer.

Thomson argues that SkyTours will not dilute its main custom, since it will be aimed at a different market.

Rival Ulster unionists in joint move

BY OUR BELFAST STAFF

THE TWO rival unionist parties in Northern Ireland yesterday buried their differences in a fresh attempt to stop tha Irish Government being given a role in the future of the province.

The Official Unionist Party, led by Mr James Molyneux MP, and the Democratic Unionists, headed by the Rev Ian Paisley, announced that they had set up a joint working party to monitor developments in Anglo-Irish talks.

The leaders said in a joint statement: "Unless and until the British Government comes clean, and for as long as the Ulster people are kept in the dark, we have no option but to believe the worst and to prepare for it."

Neither Mr Paisley nor Mr Molyneux would expand on what measures were contemplated to thwart progress towards agrement between London and Dublin.

They have already warned that secrecy gives rise to anxieties which, if unchecked, could render constitutional unionism impotent and lead to "confrontation between the Government and the community."

Such warnings are designed to raise the threat of loyalist opposition along the lines of the Protestant strike in 1974 which brought down the experimental power sharing government at Stormont.

The two leaders are taking seriously reports that British and Irish negotiators are close to agreement on the province's future. Loyalist fears about Dublin's role have been heightened by Royal Ulster Constabulary decisions to reroute traditional Protestant parades away from Roman Catholic areas.

The joint working party will include three members of each party but not the leaders. The leaders warned the Government that any attempt to involve Dublin in direction or control of Northern Ireland affairs would be met by "united unionist opposition."

Lord Rayner: chairman of M and S

M and S invites advertising proposals

By Feona McEwan

MARKS AND SPENCER, the stores group, has invited several top advertising agencies to submit proposals for a big campaign.

For a retailer which has been singularly successful in building profits and reputation without the help of big advertising campaigns, this is an important step.

The agencies selected are mainly high profile consumer agencies with strong creative reputations. They are: Boase Massimi Pollitt, Davidson Pearce, Saatchi and Saatchi, Garland Compton, and Doyle Dane Bernbach. Also included is Jaffe and Young, which has handled Marks and Spencer's limited and mainly Press advertising for the past eight years.

There is no question at this stage of embarking on a national campaign. The budget is said to be minimal and the chain looks set to take a cautious line. Initial advertising is likely to follow the familiar Marks pattern with its new product lines, of regional trials. Then if sales are sufficient a national campaign could follow.

An appointment is expected to be announced in October.

Since the appointment of Lord Rayner as chairman last July, Marks and Spencer has adopted a more competitive marketing stance. Recently it appointed Valin Pollen, the financial and corporate public relations consultants.

ICL distribution plant to close

Financial Times Reporter

ICL, the computer group, plans to close its Sydenham distribution plant with the possible loss of 120 jobs.

The south London plant is to be replaced by a purpose-built depot in Stevenage, Hertfordshire, but ICL says it does not know how many staff will be transferred to the new depot.

ICL said the Greater London Council's nighttima lorry ban was a reason for the move. "It is easier to get lorries into north Hertfordshire than Sydenham."

The two unions involved, the electricians EETPU and white-collar ASTMS, say they will discuss with their members before deciding what action to take.

● Vickers Dawson is to close its bottling equipment manufacturing plant in Crayford, Kent, at the end of the year, with the loss of 200 jobs.

The engineering union AUEW says the workforce was stunned. Mr Laurie Smith, a union official, says he believes the work should be kept in Crayford.

Japanese group plans cut-price world telex and data link

BY GUY DE JONQUIERES

A GROUP of Japanese companies, led by the Marubeni trading house, plans to set up a British-based joint venture this year to offer a cut-price telex and data communications service between Japan and the rest of the world.

The service, to start in October, aims to provide international telex links at prices 40 to 50 per cent less than those charged by KDD, the Japanese organisation which, until recently, monopolised the country's international communications.

Marubeni says it already has 100 prospective customers in Japan, mostly small and medium-sized companies, and aims to have as many as 500 three years hence. By then, the business will be worth Y3bn (£9.15m) a year, it hopes.

The planned service is a direct result of the telecommunications de-regulation in Japan, which took effect in April. This allows private groups to compete with KDD for international traffic and with the former Nippon Telegraph and Telephone monopoly on the domestic market.

The joint venture, Telecom International, aims to transmit telex and data messages on public telephone lines between Japan and Britain up to 24 times more quickly than on KDD's international telex circuits, and more cheaply.

Traffic will be re-routed automatically in London on British Telecom's telex network to destinations all over the world, including the Far East. The venture plans to use computerised telex switching equipment supplied by Case, a British manufacturer.

BT's international telex rates are highly competitive. Its charge for a one-minute telex message from London to South Korea is half of KDD's for such a messag from Tokyo.

Marubeni said the service had been approved by both the British and Japanese Governments. It hopes to expand in due course beyond telex transmission by forging international links with computer service and data communications companies.

Telecom International will be registered as a UK Company. It will be owned 50 per cent by Marubeni, 10 per cent by Marubeni's British subsidiary, 25 per cent by Central Aid, a Japanese company leasing telex operators, and 15 per cent by Chun Denshin, a telecommunications equipment maker.

Marubeni already operates a voice mail service in Japan, which uses computers to store and transmit spoken messages. It aims to expand this service to the U.S. soon.

Government rejects plans for higher M-way speeds

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT has rejected proposals from a Commons committee that the speed limit on motorways should be raised from 70 to 80 miles per hour for an experimental period.

This was among the recommendations in a report last January from the cross-party transport committee.

In its reply, published yesterday, the Government argues against such an experiment on the grounds that no new evidence has become available following its decision in July last year to maintain the present limit.

"The argument that the modern car is better than its predecessor, while true, begs the question of drivers' ability to cope with higher speeds. Clearly some are, but the average standard of road user behaviour does not give ground for general confidence."

The Government agrees with the committee that there is little evidence that the present limit is too high, but sees this as an argument for not reducing it, rather than for raising it.

The Government also rejects the idea of a trial period. It argues that the low accident rate on motorways, together with the likelihood that, if speeds increased as a consequence of the higher limit they would do so gradually, would mean that a fairly long trial period — perhaps up to three years — would be necessary before results could be expected to emerge. Such a lengthy period might mean that the experiment did not have a conclusive result.

The Government is also concerned that it would be difficult to counteract the effect of the experiment if it were to prove unsuccessful, since drivers would have become accustomed to an 80 mph limit.

The Government's decision disappointed the Automobile Association which said: "Even the police, whose job it is to enforce speed limits, were in favour of the increase.

"We would have liked to have seen a trial on part of the motorway system."

The AA backed the Government decision to re-examine the blood alcohol level to identify drink drivers.

Second Special Report from the Transport Committee, session 1984-85; House of Commons Paper 553; £3.

Junior Lords whip quits

BY PETER RIDDELL, POLITICAL EDITOR

LADY COX has resigned as a junior government whip in the House of Lords after holding the post only since April.

The job was previously known as that of baroness-in-waiting.

Lady Cox, 48, said yesterday that she was resigning to give more time to educational activities in which she has long taken a close interest. She said she needed the freedom of the backbenches to do this, and very much regretted resigning the whip's job as she had greatly enjoyed the work.

She said there had been no difference of opinion with the Government. A Downing Street statement said the Prime Minister had accepted Lady Cox's resignation with regret.

A successor will be appointed in due course.

Life group raps plans for investor protection

By Eric Short

THE GOVERNMENT'S proposals for investor protection, particularly those related to disclosure of commission by independent insurance intermediaries, have been attacked by Target Life Group, a leading linked-life company.

Target is also highly critical of plans for the proposed Registry of Life Assurance Commissions (Rolac) and forecasts adverse consequences for life assurance sales if the Registry is implemented.

The Government's investor protection proposals envisage independent intermediaries being required to disclose the amount of commission received on a particular sale but carry no such requirement of an agent tied to a life company. Rolac would lay down maximum commission payments which indepenent intermediaries could receive.

Target lists four main adverse effects if these proposals are implemented:

● They would lead to the creation of a commissions cartel, and would bring about discriminatory penalties on companies and intermediaries outside Rolac.

● They would result in a decline in independent intermediaries. Rolac scales do not apply to tied agents, and since these agents would not have to disclose commission, there would be pressure for independent intermediaries to become tied to one company.

● The proposals do not control sales through direct mail and direct response advertising.

Target suggests that the Government should concentrate on tackling the real problems—the marketing of "bad value" products. The company considers the way to tackle this problem is to require life companies and unit trusts to disclose their charges. It feels that competition and market forces would then act to protect the consumer.

Secondly, instead of intermediaries disclosing commission, Target wants intermediaries simply to disclose the extra commission above an agreed standard scale.

Finally, Target wants tied agents to make public their interests, including remuneration in the form of benefits in kind.

Target markets only through independent intermediaries, and it is urging them to make their views known to the Marketing of Investment Board Organising Committee—the body responsible for controlling pre-packaged investment.

New business figures Page 8

Bank widens estate agent services

By Margaret Hughes

LLOYDS BANK is extending the services it offers through its Black Horse estate agents. House sellers appointing one of the 180 Black Horse agencies as sole agent will be offered a guaranteed mortgage and bridging loan on preferential terms to finance the deposit on their next home. So will their buyers, subject to survey and status criteria.

Black Horse Agencies said yesterday the offer of guaranteed mortgages to both buyer and seller should speed up the process of buying and selling homes.

The Abbey National Building Society introduced a similar guaranteed mortgage scheme, but without the bridging finance facility, about 18 months ago to its members appointing an estate agent participating in its Property Service Scheme as sole agent. House sellers also receive a 10 per cent discount on the normal selling fee.

Black Horse Agencies, the largest residential estate agent in the UK, has also appointed specialist financial services managers to its branches.

These will offer the following additional services: free advice on mortgages and introductions to building societies; surveys and valuations; impartial advice on life assurance and house and contents insurance; introductions to local solicitors for conveyancing and to removal companies. They will also offer personal as well as home improvement loans and other Lloyds Bank borrowing facilities.

Mr Roy Mercer, general manager of Black Horse Agencies, said the package marked a "major step" towards a "one-stop" agency service.

Tunnel may be needed to MPs building

A TUNNEL may be necessary to link the Palace of Westminster and a building designed for MPs and their staffs, a Commons committee has reported.

The Commons Services Committee yesterday recommended the final sketch plan for the building—across the road from Westminster, and also urged

Lucy Kellaway reports on the young companies muscling in on the digital hi-fi revolution

Blue Skies heralds a bright future for audio pioneers

NELSON RIDDLE may not suit everyone's taates in music but when Blue Skies is released next month it will be the closest thing to perfect sound on disc.

Blue Skies is the initial release from CTS of Wembley, London, the world's first all-digital recording studio. It was recorded, mixed, edited, and had the master made digitally.

The sound, translated into digital form at the recording stage, does not re-emerge as a recognisable audio signal until it reaches the compact disc player at home.

Digital refers to the way the sound is stored. The old-fashioned analogue recording copies the shape of the sound wave, whereas a digital recording breaks down the sound into a binary code.

This code, a series of ones and zeros, can be transferred on to a compact disc which rotates at high speed inside the player where it is scanned by a laser beam. The extracted data is then fed into a microcomputer which translatea the signal into sound.

The effect is vastly superior. Hiss and disturbance are eliminated, as are the changes in tone known as wow and flutter. Digital cynics are becoming fewer.

The growth in digital audio has been much faster than any-

processor in 1977. A year later, Philips and Sony jointly created the first compact disc.

The two companies still lead the field but most of the leading consumer electronic companies are competing fiercely for market share.

Wedged in somewhat incongruously are a handful of British companies, most of them tiny and young. Scattered across the product range from the discs to professional equipment, they have one thing in common—none is competing purely on price.

All claim to have achieved a lead in technology, and most hope to maintain their position as the market grows by selling into specialised niches.

The most successful is Nimbus Records, which at first sight not quite fit this mould. As the makers of the discs, Nimbus could hardly claim to occupy a market niche.

The fact is that Nimbus is flourishing because compact discs are drastically scarce.

Mr Adrian Farmer, Nimbus' artistic director, said: "Our basis for being is to record and promote classical music."

The five companies that have already bid for Nimbus did not have that sort of dedication. No matter what the price, Nimbus' directors say they are not selling.

lems in getting their only plant (a joint venture between CBS and Sony) running smoothly.

Nimbus, the only UK plant, makes between 2m and 3m of the world's annual output of 40m discs.

Nimbus is building its second plant at a cost of about £3.5m.

The first plant is so profitable (the charge is £2.05p per disc) that the new plant should be financed by cash generated by the old.

Growth in disc sales is being driven by the explosion in the about 33,000 were sold in the sales of the players. Last year UK and about 240,000 in the U.S. This year sales are projected to more than double.

Nearly 50 companies are making players, and competition has almost halved prices to about £250 since the player was introduced two years ago.

The two British contenders, Mission Electronics and Boothroyd-Stuart, are doing their best to keep out of the price war by aimin gthemselve ast war by aiming themselves at the hi-fi buff.

Mission, the larger with an annual output of about 15,000 players, has just started exporting to Japan, where its players allegedly enjoy a consumer snob value compared to the indigenous product.

"He loved the compact disc, but turned nasty when I tried to replace the loudspeaker."

for the industry. Both companies are aware of the need to transform: Boothroyd-Stuart is building the player into a unified hi-fi system, while Mission is attacking costs by developing more of the parts itself rather than buying them from Philips.

Most UK digital effort, however, is concentrated at the professional end of the market, where there is a premium for

market. HHB, a successful Harlesden, North London, company that sells and hires digital equipment, says three years ago only 1 per cent of recording studios used digital equipment compared with more than 40 per cent today.

Perhaps the greatest breakthrough by a British company has been Neve Audio's digital console which simplifies the mixing process while improving

Energy Services and Electronics, which has been wantiog to sell the company for some time. It is talking to several buyers interested in the console's potential.

However, there are serious risks associated with being first with such an important product. While four of the £250,000 consoles have been delivered, success of the product is not assured.

The console took more than five years and £1m to develop. But because it encompasses technology already a few years old, there is a risk of obsolesence as competitors counter with their own more recent products.

The digital console is the most complex of all the range of digital equipment. Its makers claim that eventually it will make many other items of equipment in the recording studio redundant.

This is another area in which the British claim leadership, this time by a young British company called Advanced Music Systems.

Its equipment, which sells at about £5,000, can introduce a delay, add an echo, enhance tone or inject special effects to any piece of music.

AMS, which plans a flotation later in the year, prides itself on

UK NEWS

CBI chiefs oppose pensions reform plans

BY ERIC SHORT

LEADERS of the Confederation of British Industry are implacably opposed to the Government's proposals for reforming the social security system, according to a a confidential draft discussion document.

The document claims that, as a result of pensions reforms, business would be paying more and the pensions would be both inadequate and insecure.

CBI leaders' initial reaction to the proposals, outlined in a Green Papers in June by Mr Norman Fowler, the Social Services Secretary, was far from favourable.

The draft discussion document shows that now they are even more critical.

The document will be considered by CBI regional councils before CBI official reaction to the proposals is drafted by September 15.

The CBI is highly critical of the central theme of the proposals—the phasing out of the State Earnings-Related Pension Scheme and its replacement by a system of compulsory company and personal pension schemes.

It claims that the proposed minimum contribution of 4 per cent earnings is likely to result in inadequate pensions for most employees.

Not only is 4 per cent too little, it says, but the effective investment return would be significantly lower than that achieved by existing occupational pension schemes. In addition, expenses would be much higher.

Costs would be greater for employers with existing contracted-out final salary schemes, it says.

It estimates that such employers would be paying between 1½ per cent and 3 per cent of payroll in extra costs for no additional benefit because of the proposed National Insurance contribution rates.

The main problem, it says, is that industry and commerce would have to pay twice directly for today's pensioners and indirectly in funding the pensions for those retiring in the 21st century.

The CBI's final response to the proposals is likely to concentrate on the inadequate pensions and higher costs involved. The Government so far has not attempted to refute such arguments. Mr Fowler still refuses to publish statistics showing the effects of its proposals.

The CBI's opposition to the proposals does not end here. It claims that they end the political consensus on pensions and thus destroy the stability of the pensions environment. The proposals also fail to curtail Government expenditure until well into the next century.

Only one feature of the proposals finds favour with the CBI: that they encourage self provision and individual choice in pension provision. However the document points out that Government spending could have been reduced by modifying Serps and personal choice could be provided by building on Serps and company schemes.

The document sets out questions that members have to answer in helping the council finalise its reply to the proposals:

Norman Fowler: no statistics

- Should the CBI welcome the ending of Serps as an encouragement to self-help and a potential reduction in Government spending in 20 years' time, or should the CBI reject the ending of Serps as unnecessary and unhelpful because it destabilises and undermines existing schemes and is likely to increase costs and reduce pension expectations?
- Should members accept the proposal which ends compulsory membership of the company pension scheme as a condition of service, and should employers be compelled to contribute towards an employee's personal pension?
- Should the CBI accept the Government's April 1987 deadline for the changes or is the timetable of six to 12 months for implementing the changes impracticable?

It seems reasonably certain that the CBI's ultimate response to the Government's proposals will be a flat rejection.

The TUC has already launched its campaign of opposition to the proposals, though its line is solely on the principle.

Business class air travel rises

By Michael Donne, Aerospace Correspondent

BUSINESS-CLASS passengers are a growth sector of the airline market and should be discriminating in their choice of carrier, according to a trade magazine survey.

Business-class travel has reached the level of first-class travel in the 1970s because of airlines' efforts to capture this market, the magazine reports.

"Fierce competition means airlines are continually upgrading their products, making it even more difficult for passengers trying to sift the good business classes from the mediocre," says the survey, in the latest issue of Business Traveller magazine.

The magazine suggests that, with improvements in business class travel, there will be less demand for the more expensive first class seats on longer flights.

"Most airlines have already scrapped first class inside Europe, and now we're seeing the same thing happening within the Far East.

Austin Rover fuels row on car import study

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER has added to the controversy surrounding the highly critical report from the Science Policy Research Unit on Fords' and General Motors' car production policies in Britain, by contacting all big fleet operators about the report's findings.

Mr John Parkinson, Austin Rover's fleet operations director, has written to fleet managers who buy nearly half the new cars in Britain, to say that the report highlights the damaging effects on UK employment and the balance of payments that the "tied imports" from Ford and GM factories on the Continent have had.

Under the heading, The import threat to the UK car industry: Buying British—the facts, Mr Parkinson says tied imports account for 22 per cent of the market compared with 1 per cent 10 years ago.

Ford and GM, the Vauxhall-Opel group, have been transformed from being net exporters of 200,000 cars in 1973 to net importers of 350,000 cars last year. "The consequent effect on the balance of payments represents several hundred million pounds annually."

Ford said yesterday it had "identified major flaws in the report" and had contacted the author, Mr Dan Jones, motor industry expert of the SPRU at the University of Sussex, about them but so far had received no response.

As for Austin Rover's offer to give copies to all fleet operators, Ford said: "We feel the report should not be used in this way." It said the report had been produced with financial help from BL, Austin Rover's parent.

Mr Parkinson said reaction to his letter had been highly satisfactory and Austin Rover had received hundreds of replies from fleet managers who not only wanted copies of the report but also offered their comments about Austin Rover's current products.

"There has been a tremendous payback because it has given us a chance to make contact with fleets which have not bought cars from us for some years."

Ford announces 3.1% average increase in prices

BY JOHN GRIFFITHS

FORD yesterday announced an increase in its car prices averaging 3.1 per cent—but it will not become effective until August 19. The delay coulud be seen partly as an extra incentive to potential buyers during the traditional manufacturers' sales campaigns in August to take advantage of the new yearly registration prefix letter.

August is by far the most important month in the new car sales year, with forecasts for this current month that up to 330,000 cars may be sold, or 20 per cent of the total year's market.

The price increase is Ford's second this year. One averaging 3.95 per cent was imposed in February. The move by Ford, as UK market leader, can be expected to trigger a general round of increases by other manufacturers.

Vehicles actually in stock up to August 19 will have their prices protected until September 27. A partial exception is being made for the new Granada/Scorpio range, which is scarce as production builds up. Buyers who place their orders up to July 31 will get their vehicles at the old price provided they are registered by November 30.

Ford attributes the need for the increase to several cost increases running well ahead of inflation.

It said yesterday that in the six months since its last increase, for example, prices of its steel supplies had risen 8.7 per cent, synthetic rubber 12.4 per cent and its overall manufacturing overheads 6.8 per cent. The increase in the retail price index over the same period is 4.2 per cent.

Some examples of the new Ford prices, inclusive of taxes, are (old price in brackets): Fiesta Popular 950, £4,078 (£3,998); Escort 1.3L 5-door, £6,024 (5,815); Sierra 1.6L, £6,953 (£6,711); Capri 2.8 Injection Special, £10,230 (£9,875); Granada 2.8i Scorpio, £16,109 (£15,550).

APPOINTMENTS

Action urged to extend life of drug patents

By Lisa Wood

Urgent action is needed to extend the life of patents on drugs, according to a report by the Association of the British Pharmaceutical Industry.

The report said the effective patent life of products had diminished over the years.

A patent technically applies to a drug over a 20-year period. The association said that in 1960 the average life of a patent once a drug was on the market was 13 years and was now four to five years.

The report also urged the removal of Britain's "licence of right" endorsements. These apply to medicines filed between 1967 and 1978 and permit other products to apply as of right for a licence to copy and market products during the last four years of their patent lives.

A House of Lords ruling this week said rival companies could be in a position to market a product immediately the initial patent protection period had run out. Before the ruling a competitor could not apply for a licence, the processing of which could take up to a year by the Patent Office, until the original 16-year patent period had expired.

The Lords held that a "licence of right" to market a patented product in the UK could be applied for, and its terms settled in time for the licencee to start business from the day such a licence became available under the 1977 Patent Act.

ECONOMIC DIARY

MONDAY: Credit business (June). Retail sales (June final). Reuter Holdings first-half results.

TUESDAY: Provisional estimates of monetary aggregates (mid-July). London clearing banks' monthly statement (mid-July). Launch of Birmingham's campaign to host the Olympics. John Brown annual meeting.

WEDNESDAY: Arab summit in Casablanca to discuss Palestinians. Dublin Horse Show (until August 10).

THURSDAY: Provisional figures of vehicle production (July). TI Group first-half results.

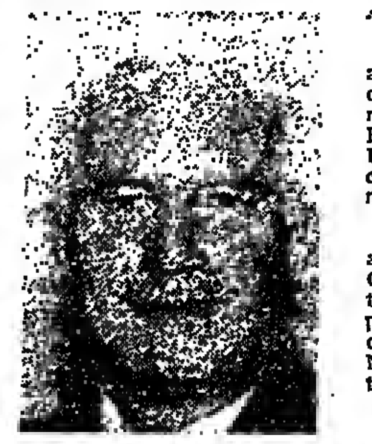
FRIDAY: STC first-half results.

Board changes at Tozer Kemsley

Following injection of £12.7m by the IEL Group, TOZER KEMSLEY AND MILLBOURN (HOLDINGS) has made the folowing changes. Mr Michael Davies has been appointed chairman in place of Sir Montague Prichard who has relinquished his directorship. Mr Davies was for a number of years chairman and chief executive of Imperial Foods. He has been deputy chairman of Tozer Kemsley and Millbourn since March 1984. He holds a number of board appointments and is currently a director of British Airways, The Littlewoods Organisation, TI Group and Newman Industries. Mr Graham Moore has been appointed finance director. He was finance director of The Wiggins Teape Group for a number of years, and before that was finance director of British-American Cosmetics. Mr Daniel Meinertzhagen has retired.

*

Mr Peter Cast, controller BP Oil International, has been appointed personnel director to BP OIL, UK refining and marketing arm of the company. He succeeds Mr John Stinchcombe who is retiring on September 30. Mr Cast joined Shell-Mex and BP in 1956 and worked in trade relations, planning and marketing economics. When BP Oil was set up in 1976 he became corporate planning manager and then general manager, finance and planning before moving to BP's head office in 1981. He was appointed controller BP Oil International in 1982.



Mr Peter Cast, BP Oil personnel director

*

Mr Antony Lane is joining the board of Midlands-base TIME MANAGER INTERNATIONAL as managing director. Mr Chris Lane, previously managing director, is assuming the new position of chief executive.

*

M. HARRISON & CO (LEEDS) has appointed Mr Roy T. Grunwell as managing director and Mr Desmond Gould as company secretary. Mr Grunwell, who joined the company in 1952 as a trainee surveyor, became a director in 1971, and later contracts director. Mr Gould, who joined the company in 1947, was company accountant.

*

Mr Christopher G. Symington is to be appointed group managing director, of JARVIS (HARPENDEN) HOLDINGS GROUP, building contractors and developer. Mr Douglas Peters who held the position for 16 years will become the group's deputy chairman, retaining responsibility for marketing.

*

NCR has appointed Mr Frederick Newall as group marketing vice-president for Europe, based in London. He has been chairman and managing director of NCR Limited since July 1983. Mr Rex M. Fleet will return to the UK as chairman and managing director of NCR Limited. He has been vice-president, financial systems division, of NCR's U.S. marketing organisation since he left the UK in July 1983. Both appointments are from September 1.

*

The MENSWEAR ASSOCIATION OF BRITAIN has appointed Mr Allan Sayers to succeed Mr Kenneth Smith as director. He will take up his duties as director-designate on March 1 1986, and assume the full responsibilities as director on April 1 1986.

*

GOTA (UK), wholly-owned subsidiary of Gotabanken of Sweden, has appointed Mr Stuart Grant as manager, dealing. He was chief dealer at European Arab Bank.

*

Mr Michael Keen has been appointed legal director of HUNTING GATE INVESTMENTS and Hunting Gate Property Services. In addition, he has been made a director of associated company, Erecta Properties. He joined Hunting Gate in 1972.

*

Mr P. L. C. H. Richards has been appointed sales and marketing director of EVODE, largest company in the adhesives and sealants division of the Evode Group. He was sales director.

*

COOPER ESTATES has appointed Mr Henry Gough-Cooper as a director.

*

Mr Peter Blair has joined BREAKMATE as service director. He was with the Mars Group.

*

BECK & POLLITZER CONTRACTS has appointed Mr C. A. Ballanff and Mr J. A. Pearce as directors from September 1. Mr L. H. G. Williams retires on August 31.

*

TASTE OF SCOTLAND has appointed Mr Tim Russell, head of sales and market development of the Scottish Milk Marketing Board, to succeed Col. Howard Paterson as chairman of the company's committee of management.

*

R. K. CARVILL & CO has appointed Mr N. J. W. V. Graham and Dr R. H. Fewster to the board. R. K. Carvill, a privately-owned company, is claimed to be the second largest North American reinsurance treaty broker in London.

*

Mr John M. R. Evans, an assistant general manager, has become secretary of GUARDIAN ROYAL EXCHANGE following the retirement of Mr W. A. (Bill) Pealington.

Mr John Evans, secretary of Guardian Royal Exchange

*

Mr Simon Ruggins has been appointed personnel director of COSSOR ELECTRONICS. His previous appointment was personnel executive at Plessey Avionics.

*

HARLAND SIMON has appointed four executive directors: Mr D. F. Andrew, director and general manager; Mr G. A. Cottrell, field operations director; Mr M. Dinsdale, works director and Mr R. A. White, sales director. Mr R. J. Ashman, chief executive, and Mr H. F. Lally, who have been executive directors of the Bletchley plant since 1980, join the board of a newly-created holding company, which has a total of five wholly-owned subsidiary companies under its control.

*

Mr Bryan Basset has been appointed chairman of ROYAL ORDNANCE. Mr Wilfred Meakin has become chief executive and deputy chairman and Lord King of Wartnaby non-executive deputy chairman.

*

The SUTCLIFFE CATERING GROUP (part of the P and O group) has appointed a director of group marketing, Mr Peter Ward. He was on the board of Carnation, responsible for the marketing, manufacturing and new product development. Mr Simon Davis has been appointed promotions and public relations director.

UK NEWS-LABOUR

Dispute over driver-only trains threatens to hit coal traffic

BY DAVID BRINDLE, LABOUR STAFF

THE WIDENING dispute over British Rail's plans for drivers-only train operation threatens to cause renewed disruption of its coal traffic, still recovering from the effects of the miners' strike.

Drivers based in the East Midlands are following union policy and refusing to co-operate with preparations for driver-only working of "merry-go-round" coal trains from local pits to nearby power stations.

So far, the non co-operation has been limited to refusal to attend training classes which BR has attempted to stage over the past fortnight. Union officials are also expected to boycott a consultative meeting called for next Friday.

If BR follows the tactics it has adopted elsewhere on the rail network, however, a clash could come soon if it tries to go ahead with driver-only operation without union agreement.

The driver-only issue is already causing disruption in South Wales, Humberside and the London and Cambridge areas. The National Union of Railwaymen and Aslef, the train drivers' union, accuse BR of breaching negotiation procedures at national level; BR says the procedures have been exhausted.

Yesterday, in a move which could indicate the start of sustained disruption in Scotland, guards at Glasgow Central station walked out in protest at the suspension of a colleague for refusing to man a train converted for future driver-only use.

Action by crews of coal trains would come at a particularly sensitive time. BR is struggling to win back the 20 per cent of pre-miners' strike coal traffic which has still not returned to rail, while some senior National Coal Board officials were impressed by the performance of road transport during the strike.

The East Midlands railmen who are at the centre of BR's latest driver-only plans were among those who refused to move coal during the miners' dispute, leading to the NCB's use of road transport.

BR yesterday confirmed that it intended to introduce trial driver-only working of coal-trains from pits in the Worksop and Shirebrook areas to West Burton and Cottam power stations.

Mr Tommy Taylor, secretary of the Shirebrook Aslef branch, said he and his colleagues had no intention of attending consultative or negotiating meetings at local level because there was no national agreement.

NGA to meet on threat to print role

BY OUR LABOUR STAFF

THE LEADERSHIP of the National Graphical Association, the print craft union, meets next week in following a series of attacks on its future organisational role in the newspaper industry.

The NGA council, which starts a two-day meeting on Wednesday, will be taking stock of the potential threat to its role in the industry posed by an alliance between EETPU, the electricians union and Sogat '82, the print union, on areas of new technology.

Relations between Sogat and the NGA are at an all-time low. Sogat has made it clear it is prepared to seek a unilateral deal with Mr Rupert Murdoch's News Group over the transfer of the printing of two titles from Bouverie Street to a new site in Wapping.

In the light of Sogat's willingness to grasp the initiative and reach a deal on the transfer of the News of The World and The Sun newspapers without tho NGA, the latter union is now seeking talks with Mr Murdoch on the move.

The NGA council will also consider its response to the single union "no strike" deal agreed in outline by the electricians with Mr Eddie Shah's News (UK) for the launch of a national paper next year.

Companies make big profit share payments

By John Lloyd, Industrial Editor

COMPANIES including Imperial Chemical Industries, British Airways, J. Sainsbury and Wedgwood have made substantial payments in the form of cash or shares to workers over the past year as a "share" of profits, according to Incomes Data Services, the independent pay research body.

ICI made one of the largest payments. Each of 53,000 blue and white collar workers received an average payment of 125 shares, worth £771.25, last month on top of basic 7.5 per cent pay increases.

The pay-out, which follows record profits over the past year of £1bn, will cost the company some £57.5m.

At BA, the 32,000 eligible employees received a share-out of more than three weeks pay, worth 6.5 per cent on top of a basic 5 per cent increase awarded in January. Under an agreement with the Treasury, BA allowed employees to "bank" their profit share and keep it untaxed until the corporation was privatised.

At Sainsbury, 30,000 staff received cash or shares to the value of about four weeks' pay, after a basic pay increase of 6.9 per cent at the end of March.

Wedgwood employees will each receive a share of £837,701 — the amount of profit available for distribution this month. The share-out equals between one and three weeks' pay, depending on length of service.

Among other examples chronicled by IDS are employees at Marks and Spencer, who share £6.5m allocated to them for the acquisition of shares in the company. Some 25,443 staff participate in the scheme, with a further 9,357 taking part in the savings-related options scheme.

The 27,000 "worker partners" at John Lewis received a bonus of 19 per cent of their annual salary earlier this year, after the announcement of a £25.7m partnership bonus.

Rebel miners plan to meet union registrar

BY HELEN HAGUE, LABOUR STAFF

COALMINERS' leaders in Nottinghamshire and South Derbyshire will take another step along the course of breaking away from the National Union of Mineworkers at a meeting next week.

They plan to meet the Government Certification Officer, the official responsible for registering trade unions, on Wednesday. Leaders of the miners' breakaway group in the North-east will also attend the meeting.

The move follows a secret meeting earlier this week at which leaders of the three groups agreed a blueprint for a set of rules for a miners' union grouping in opposition to the NUM. These proposed rules will be submitted to the certification officer.

The fledgling breakaway federation hopes to hold a ballot of members in Notts and South Derbyshire early in early autumn. Under the federation plan they will only require a simple majority to sanction the split from the NUM.

In the run-up to the Notts area ballot—ordered by the High Court—the national union is mounting a counter-offensive aimed at persuading Notts miners to vote against the split.

Mr Neil Greatrex, Notts NUM official, said yesterday the area is confident of winning the ballot—and predicted the NUM's white collar section Cosa and the Leicestershire coalfield would join the group "in a matter of time."

Meanwhile, in the traditionally militant Doncaster coalfield, the 1,400 strong Markham Main colliery at Aymthorpe was at a standstill for the second day running yesterday after a protest stoppage by miners.

Mr Alan Bell, the NUM branch president at the pit, claims the stoppage was a direct result of hardline management practices which surfaced in the aftermath of the year-long pit strike.

Three miners who left the colliery early after claiming they were working in "wet conditions" were threatened with disciplinary action. A coal board spokesman said a few miners at the pit who had "persistenly" left the colliery early without permission had been warned they could face dismissal.

Mr Bell said the initiative for the protest stoppage had arisen from rank and file miners, not branch officials.

The men plan to resume normal work at the colliery on Monday. The pit has lost 3,000 tonnes production a day during the protest walk-out.

- Mr Fred Edwards, director of social work at Strathclyde region, could face a bill of up to £191,000 because of "illegal" loans he authorised during the miners strike.

Fears of ITV disruption as technicians reject offer

BY OUR LABOUR STAFF

ACTT, the technicians' union, has rejected a "final" 6 per cent pay offer from the Independent Television Companies Association, bringing into view the prospect of disruption across the ITV network later this year.

The ACTT, which represents cameramen and technicians in independent television, is seeking a substantial increase and improved working conditions.

The management offer was rejected on shows of hands at the union's 29 "shops" in television companies, with 21 shops against it.

Mr Alan Sapper, ACTT general secretary, described the 6 per cent offer as "parsimonious and shortsighted." He said the companies were still extremely wealthy and had staff who recognised the potential of new technology and were "producing the goods."

The companies had refused the unions' claim for increased holidays and a reduction in working hours.

Later this month, ACTT representatives will meet in London to decide the next step of their pay strategy. This will then go back to the shops for consultation and approval.

However, Mr Sapper hoped further meetings with the ITCA could be arranged in the interim, leading to an increased offer, or concessions on holidays and hours.

BASE LENDING RATES

A.B.N. Bank	11½%	■ Hill Samuel	§11½%
Allied Dunbar & Co.	11½%	C. Hoare & Co.	11½%
Allied Irish Bank	11½%	Hongkong & Shanghai	11½%
American Express Bk.	11½%	Johnson Matthey Bkrs.	11½%
Henry Ansbacher	11½%	Knowsley & Co. Ltd.	12 %
Amro Bank	11½%	Lloyds Bank	11½%
Associates Cap. Corp.	12 %	Edward Manson & Co.	12½%
Banco de Bilbao	11½%	Meghraj & Sons Ltd.	11½%
Bank Hapoalim	11½%	Midland Bank	11½%
BCCI	12 %	■ Morgan Grenfell	11½%
Bank of Ireland	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Cyprus	11½%	National Bk. of Kuwait	11½%
Bank of India	12 %	National Girobank	11½%
Bank of Scotland	11½%	National Westminster	11½%
Banque Belge Ltd.	11½%	Northern Bank Ltd.	11½%
Barclays Bank	11½%	Norwich Gen. Trust	11½%
Beneficial Trust Ltd.	13 %	People's Trust	12½%
Brit. Bank of Mid. East	11½%	PK Finans Intl. (UK)	12 %
■ Brown Shipley	11½%	Provincial Trust Ltd.	12½%
CL Bank Nederland	11½%	R. Raphael & Sons	11½%
Canada Permanent	11½%	Roxburghe Guarantee	12 %
Cayzer Ltd.	11½%	Royal Bank of Scotland	11½%
Cedar Holdings	13 %	Royal Trust Co. Canada	11½%
■ Charterhouse Japhet	11½%	■ J. Henry Schroder Wagg	11½%
Choulartons**		Standard Chartered	‖11½%
Citibank NA	11½%	TCB	11½%
Citibank Savings	§12½%	Trustee Savings Bank	11½%
City Merchants Bank	11½%	United Bank of Kuwait	11½%
Clydesdale Bank	11½%	United Mizrahi Bank	11½%
C. E. Coates & Co. Ltd.	12½%	Westpac Banking Corp.	11½%
Comm. Bk. N. East	11½%	Whiteaway Laidlaw	12 %
Consolidated Credits	11½%	Williams & Glyn's	11½%
Co-operative Bank	11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	13 %		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		
■ Hambros Bank	11½%		
Heritable & Gen. Trust	11½%		

■ Members of the Accepting Houses Committee.

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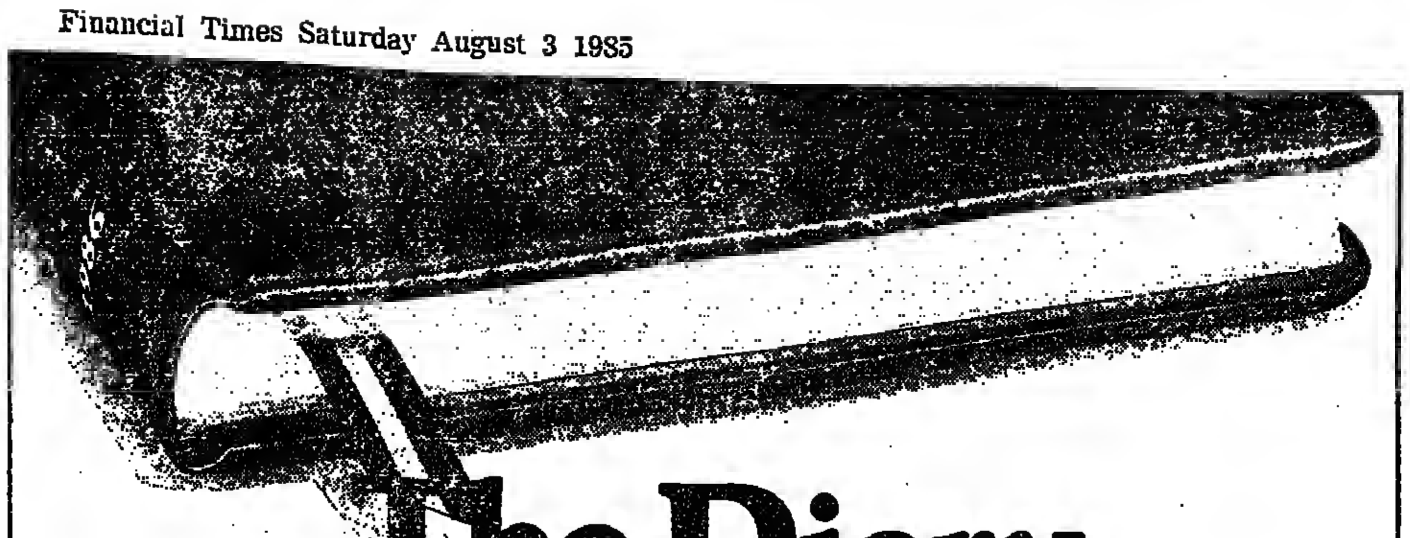

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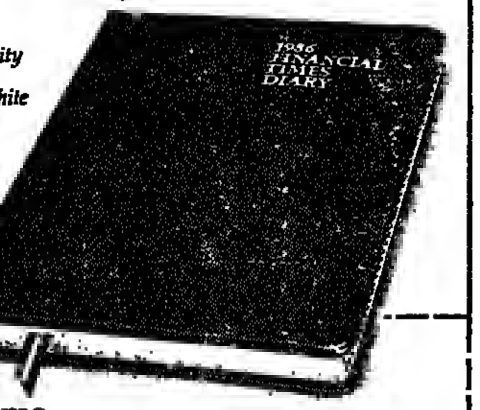

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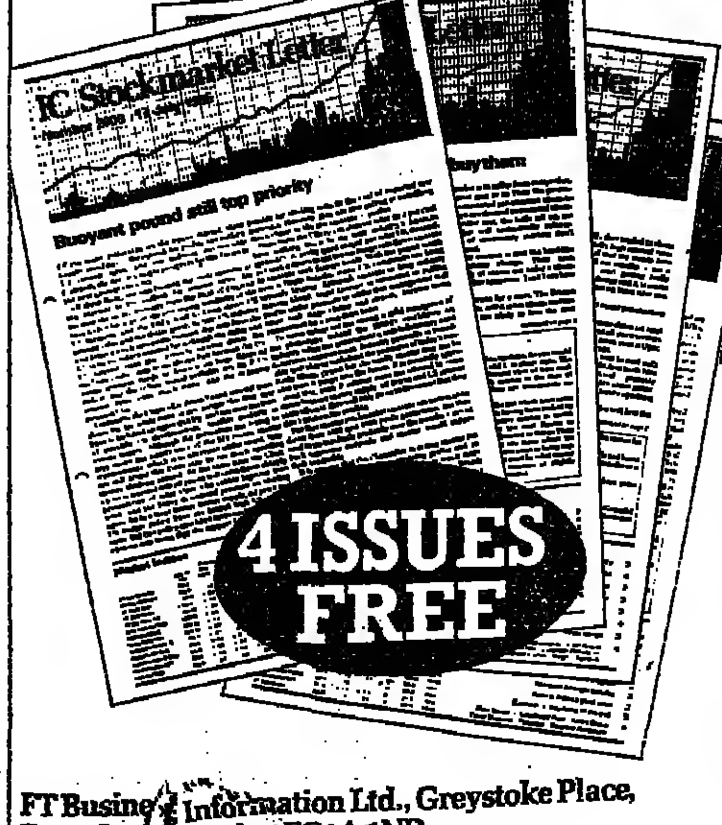

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	Australian Con. Min.	9/83	+300		Falcon Res.	10/84	+221 (7)**
	Keywest Inv.	8/83	+266		Falcon Res.	10/84	+ 92
	Keywest Inv.	8/83	+83 (7)**		Microgen	1/84	+201 (17)
	Antofagasta Holdgs	9/83	+264		Carpets Int.	12/84	+191 (4)
	Grattan	6/83	+248 (17)		British Telecom	11/84	+157 (3)
	Dee Corp	5/83	+217		Home Charm	3/84	+120
	High Point	12/83	+207 (18)		Comcap	5/84	+119 (10)
	Bridon	6/83	+188 (22)		Argyll Group	10/84	+119
	Wolstenholme	10/83	+194		Iceland Frozen Fds.	9/84	+116 (7)
	Wolstenholme	10/83	+180 (16)**	1985	York Trailer	2/85	+ 79
	Aero Needles	12/83	+183 (2)		Alexandra Workwear	1/85	+ 50
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Boxed in by sterling

THE PAST WEEK has been an object lesson for anybody who still doubts the fickleness of financial markets. The Government's strategy of gradually easing down domestic interest rates has run into a brick wall. The sharp decline of the pound—both against the dollar and in trade-weighted terms—has put paid to further cuts, probably for several weeks, even if next week's money supply figures are unexpectedly good.

As usual, the precise cause of sterling's sudden setback remains obscure. The Confederation of British Industry's bearish assessment of economic prospects can hardly have helped. Other contributory factors cited are Saudi Arabia's threat to increase oil production and a firmer federal funds rate in New York. But given the prolonged rally sterling has enjoyed since its crisis low in January, the slide may have been no more than a healthy technical correction.

A slightly weaker pound, especially against the D-mark, is no bad thing. It is not so much the present level of sterling which is likely to inhibit further cuts in UK interest rates, which remain among the highest in the industrial world, as the speed of its decline. The Treasury must be all too aware that if it misreads market psychology, as it did last Christmas, it could once again be presented with a pound heading doggedly downwards.

Better prospects

The fragility of international confidence in the UK and the obstacle this places in the way of lower interest rates are particularly galling in view of trends in the real economy. The CBI industrial trends survey, which suggests orders and investment are beginning to tail off, was not the only discouraging news. Mr Tom King, Employment Secretary, was obliged to announce another poor set of unemployment figures.

In a letter to Conservative back-benchers this week, Mr Nigel Lawson, the Chancellor, remarked that employment prospects were clearly better than in the first half of this parliament. The unemployed must hope he is right—but wonder what underlies this optimism. Most forecasters are expecting a marked slow-down of the economy in 1986 although few yet are contemplating the prospect of another recession. After five years of expansion a slow-down would not be surprising.

Nor is there any sign that the Chancellor's calls for wage moderation are being heeded. On television, the Prime Minister has declared that pay rates in the City "fair make her gasp" but she has proceeded to use them as a partial justification for much higher pay in the upper echelons of the public sector. And only this week, Mr Ian MacGregor, chairman of the National Coal Board, met miners to discuss the possibility of "super wages" of the order of £25,000 a year in return for higher productivity and output.

Worst possible

As growth slows and real wages rise, the outlook for the unemployed looks bleak. The Manpower Services Commission revealed this week that the number of people out of work for more than three years rose by a third in the year to April to 450,000. About a quarter of 18-24 year-olds remain jobless. The three-month average rate of unemployment fell slightly in July but this was only because the unusually large increase in unemployment of 28,000 in April fell out of the figures. The more reliable six-monthly average rate is still rising.

More alarming perhaps than the unemployment figures were the first quarter employment statistics. These were not given much prominence by Whitehall because they were the worst for any quarter since the trough in employment was reached in the spring of 1983. The employed labour force grew by only 28,000 compared with a previous quarterly average expansion of 88,000. The increase was entirely due to an estimated rise in self employment: there was no increase in the number of employees in the economy.

This apparent slow-down in the creation of new jobs has come at the worst possible time. The Department of Employment has recently radically altered its projections of labour force growth. It now expects the labour force to expand by about 750,000 by 1991; most of the increase will occur by 1989 and it will mainly reflect the fact that more women are seeking employment.

With the Conservatives trailing in the opinion polls, Mr Lawson can be forgiven for seeking to bolster the confidence of Tory back-benchers. But with no power to slow the growth of wages and limited control of domestic interest rates, the Chancellor's ability to deliver more jobs has never looked less convincing. It is a bad time to be boxed in by the vulnerability of sterling.

EUROPE'S NEW COMBAT AIRCRAFT

Why three into one will go

By Michael Donne, Aerospace Correspondent

THE DECISION by the UK, West Germany and Italy to go ahead with their own three-nation venture to develop a new tactical combat aircraft for the early- to mid-1990s brings to a close a period of intense difficulty in trying to put together a wider European multi-national military aircraft programme.

From now on, there will be no less than three ventures bidding for this massive European market of well over 1,000 aircraft, worth, it is believed, up to as much as £20bn by the end of the century.

One will be the new tripartite programme now announced. Another will be a French-developed programme (that may, or may not, include the Spanish industry). The third will be looming on the sidelines in the shape of a new U.S. Air Force tactical fighter (ACF) now under study for the 1990s, and which has always been a potential threat to any European programme.

The various countries that have been primarily involved in the long discussions leading to the latest decision—the UK, West Germany, France, Italy and Spain — have all had different requirements.

In the UK, the need primarily has been to find a new tactical fighter to replace the ageing Phantoms and Lightnings in the "air superiority" role—that is, able to climb fast and high over the battlefield for air-to-air combat. At the same time, but to a lesser extent, there has been a need to incorporate in the same design a ground-attack capability, that would enable the new aircraft eventually to replace the Jaguar that has performed that role.

In France, the requirement has been different. That country does not need a new air superiority fighter—it has one already in the Mirage 2000. But the French air force does need a Jaguar replacement in the ground-attack role, and also a new naval tactical fighter, which is why the French have been so strongly pushing for such an aircraft in the long series of discussions over recent years.

In West Germany, tactical air superiority is again the prime requirement, to replace Phantoms and Lockheed F-104s, as it is in Italy, where Lockheed F-104s also need replacing.

The need for a replacement in The Netherlands and Belgium is longer-term. For the U.S. General Dynamics F-16s, which have been largely built under licence in those countries, will fulfil the tactical fighter role through to the mid-1990s.

The collective desire of most of the European nations, therefore, has been for an agile, rugged, light-weight and comparatively low-cost aircraft (but still costing several million pounds apiece), capable of high-altitude tactical combat — the true "fighter" role. The larger Tornado, already under construction for the air forces of the UK, West Germany and Italy, is not suitable—it is much more a strategic aircraft, bigger, heavier, and intended for long-range strikes deep into enemy territory, and for interception far out into the North Atlantic, rather than any over-the-battlefield aerial fighting.

The total requirement for all these air forces could amount to anything between 800 and 1,000 aircraft by the end of the century, which together with exports would make a single, collaborative venture highly cost-effective. The overall cost of any programme is bound to run into many billions of pounds —for research, design, development and production—making it even more costly than the current £18bn Tornado venture.

The real cause of the difficulties over recent years has been the irreconcilable demands of the five countries mainly involved. All of them see the need for a ground-attack capability, but some need it much less than others. All, except the French, require tactical air-superiority capability. None, other than the French, need a naval variant. The result has been a long-running argument about the precise roles of the aircraft, which in turn has affected discussion about its size, its engine power and its armament.

Initially, the discussions were between the UK, West Germans and the French, as far back as 1980, on what was then called the European Combat Aircraft (ECA). The UK, recognising that there were differences of view even then, produced its own design to meet its own air-superiority/ground attack needs, in the P-110 concept, in 1981. At the same time, the West Germans were considering their own TKF-90 (Tactical Fighter for the 1990s).

These concepts were broadly harmonised in 1982 in what became known as the Agile Combat Aircraft (ACA), involving the UK, West Germany and Italy.

At that time, it seemed likely that a three-nation programme might be evolved, with the UK, West Germany and Italy, along the lines of the bigger Tornado aircraft, with the tri-nation combine, Panavia, undertaking the work on the airframe, with Turbo-Union representing the engine companies of the three nations, on the RB-199 power-plant.

But for political reasons, it was decided that, to achieve the widest possible type of collaboration, the French industry should also be brought in, to produce an entirely European Fighter Aircraft (EFA). The different French requirement —ground attack only, with no air superiority—has led to the subsequent disharmony in the discussions, especially since the French industry itself has openly sought project and design leadership, and the biggest share of the work (varying from time to time from as much as 46 per cent down to 31 per cent).

Efforts to achieve a compromise, by sizing the proposed aeroplane between 9.5 tonnes and 9.75 tonnes, to take account of the two different roles, have never really been satisfactory. Neither has the French insistence that the engine should be based on the new French Snecma M-88 rather than the new Rolls-Royce XG-40—a situation unacceptable to the UK. The danger has been that of producing an aircraft not really satisfactory to anyone, merely to achieve a European collaborative venture.

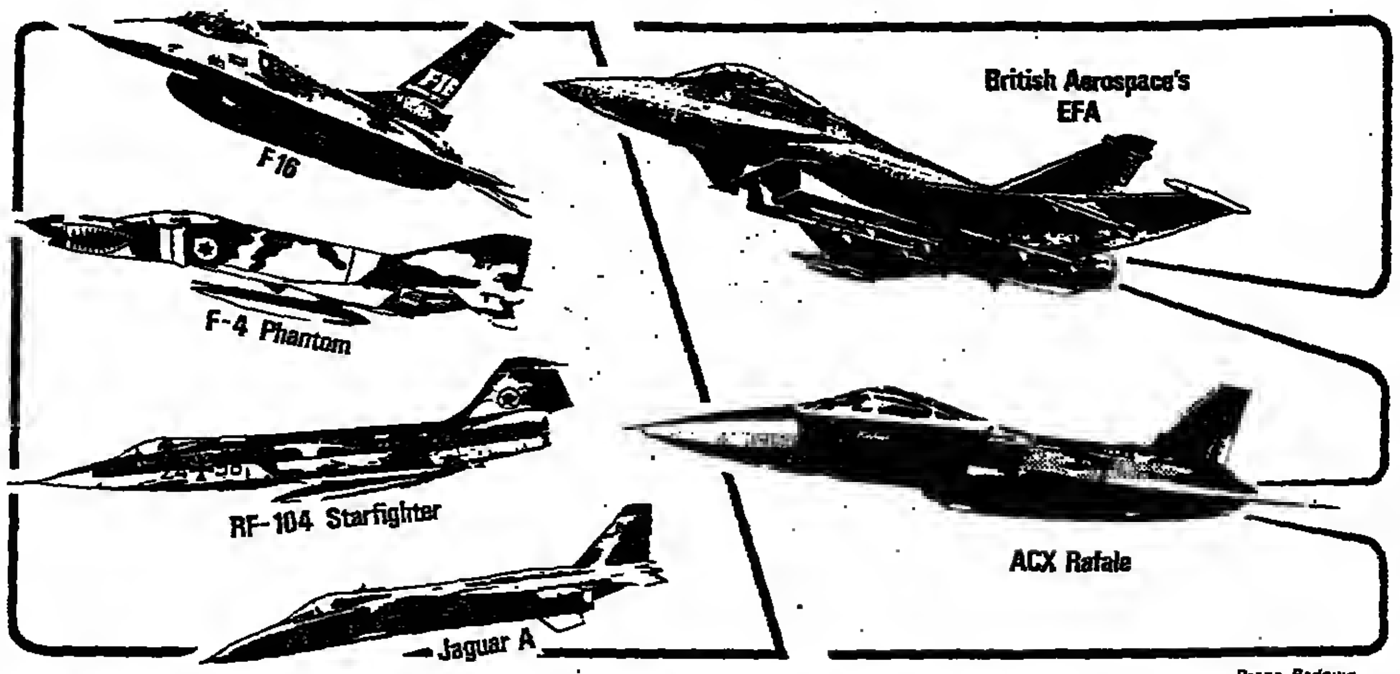
While these arguments have been going on, in an atmosphere of increasing frustration and even bitterness, both Britain and France decided independently that they would develop "demonstrator" aircraft of their own, to prove their technological capabilities.

In the UK, work has been under way by British Aerospace at Warton, Lancashire, on building the Experimental Aircraft Programme (EAP), a single "demonstrator" that combines all the technology that any future EFA will comprise. BAe, together with the aerospace industry, has put up an estimated £40m to £50m of the necessary funds, with the Government subscribing a similar sum.

In France, Dassault-Breguet has been building its own Avion de Combat Experimental (ACX), now named the Rafale, which has a broadly similar design shape to the EAP. Dassault openly calls its aeroplane a "prototype," indicating its long-standing confidence that such an aircraft would be built for the French Air Force and Navy, no matter what happened elsewhere in Europe.

Both the EAP and the ACX Rafale are due to fly next spring.

What is now likely to happen is that the UK, West Germany and Italy, will draw much more closely together, on what is called "project definition" — designing an aircraft that will suit their primary tactical air superiority requirements. It is likely to be an aircraft of 9.75 tonnes — the weight that these three nations have always sought against the lower French requirement of 9.5 tonnes. The engine will be developed from the Rolls-Royce XG-40.



Most of the aircraft the EFA is intending to replace—such as the U.S. Lockheed F-104 Starfighter, the McDonnell Douglas Phantom and the British Aerospace (English Electric) Lightning—joined the respective European air forces through the 1960s. The Sepecat (British Aerospace/Dassault-Breguet) Jaguar entered service in the early 1970s. The U.S. General Dynamics F-16 came in the late 1970s, so will not need replacing until the later 1990s

RELIEF ALL ROUND—EXCEPT AMONG THE MINISTERS

THE NEWS that three and not five European nations are to go ahead with plans to build a new fighter for the 1990s was greeted with relief in all five capital yesterday mixed with political concern at the longer-term implications for arms collaboration.

The relief from the aerospace industries in Britain and France in particular, was palpable. Neither British Aerospace nor Dassault-Breguet have ever been enthusiastic at the prospect of co-operation on a joint fighter, while their strong mutual suspicion has been fed by the differences between the French and British governments and air forces which emerged early on in the two-year negotiations over the role and function of the proposed aircraft.

These were the issues which finally broke the talks between the five arms directors in Turin at 3 am on Friday morning: France wanted an aircraft maximised for ground attack while Britain and the others wanted an air superiority plane. Behind this however lay French industrial demands for design leadership which British Aerospace was never prepared to concede.

For the industries of Britain, Germany and Italy the decision to procede with a three-nation fighter makes a great deal of sense. The three governments, and their industries led by British Aerospace, Messerschmit Bolkow Blohm and Aeritalia, have 15 years of co-operation behind them on £18bn Tornado multi-role combat aircraft. Tornado has three more full years to run: it has a management structure, buildings and a shared experience begging to be used again—albeit with some likely modifications to its less efficient elements.

Britain and Germany have equal shares in the Tornado project, with Italy a minor shareholder. Similar arrangements are probable fro the new fighter as the project definition studies now agreed get underway.

The French aerospace industry, confident in its product, is clearly relieved that its planned fighter, the Rafale, will be able to compete in world markets with the three-nation jet, allowing export performance to be the arbiter of which is the better.

Industries' relief is shared by the airforces of the Tornado partners and of France, if only because they now have a clear-cut decision to proceed with the plane for which they have, separately, defined a military requirement.

The position of the Spanish air force is less clear, since its requirement is much nearer to that of the three than of France. It remains possible than Spain will decide to join the Tornado partners.

Concern and disappointment is likely to be felt most strongly by the Ministers, who, with their senior officials and officers, have invested time and political capital in trying to reconcile the ultimately irreconcilable.

Mr Michael Heseltine, Britain's Defence Minister, has been among the five-nation project's staunchest supporters, at least until recently. But so too has Charles Hernu, his French counterpart. Both men faced scepticism from their own officials and often outright opposition from and suspicion of industry as they strove to bridge their differences.

The last few weeks have been particularly tense as the West German Defence Minister, Herr Manfred Woerner, embarrassed at having to choose between two close allies, sought to strike a compromise. For Britain, yesterday's compromise had been hoped for in June, when the five Defence Ministers met in London. At the last minute Bonn got cold feet, and there followed rumours of possible resignations at the Defence Ministry and from the top echelon of the Luftwaffe as President Mitterrand met Chancellor Kohl, apparently to discuss the possibility of a Franco-German aircraft.

Yesterday, the Ministers involved were putting a brave face on their failure to agree on the five-nation fighter. Yet there is comfort for them in the result—the three-nation agreement shows that collaboration is not dead and the continued collaboration of the three main companies over what could be 30 or more years, seems bound to have a fundamental impact on the future of Europe's aerospace industry.

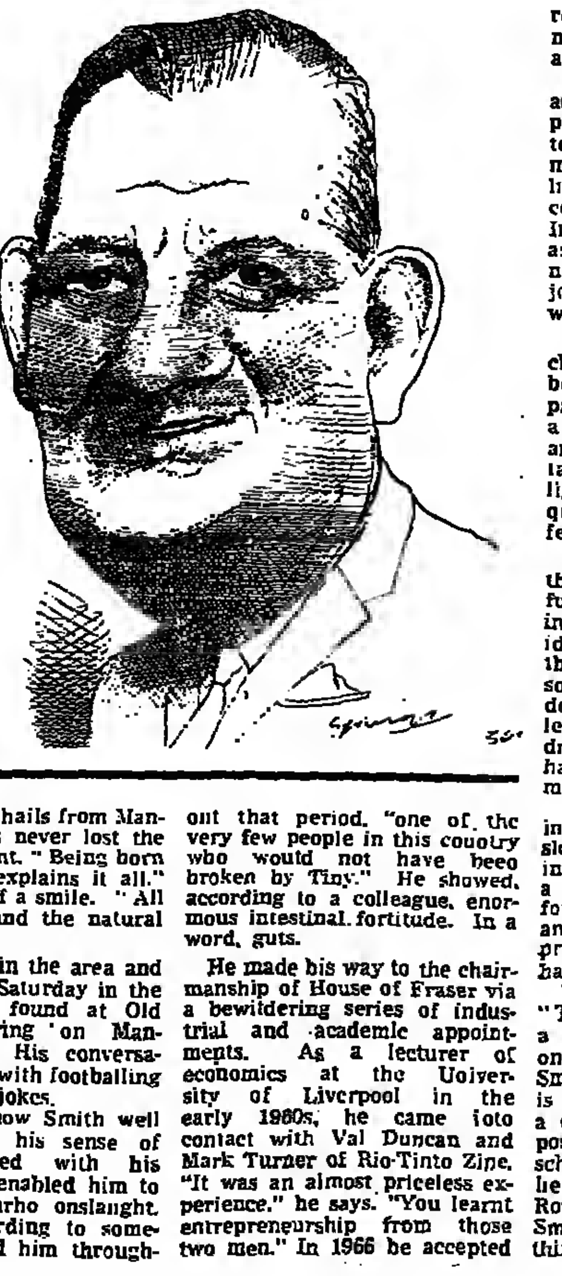
Bridget Bloom

Man in the News

Prof. Roland Smith

Surprise Deb at the ball...

By John Makinson



PROFESSOR ROLAND SMITH is enjoying himself. In the past month he has been castigated by his former financial advisers, criticised in the Press for his obstructive behaviour and denigrated by his High Street rivals. But five years in one of the most uncomfortable and insecure seats in any British boardroom have toughened the professional hide. The chairman of House of Fraser is no stranger to controversy. He rather likes it.

The cause of all the fuss—and of the Professor's barely disguised glee—is House of Fraser's unhelpful intervention in the Burton Group bid for Debenhams.

When Burton, aided and abetted by Habitat Mothercare, launched a £500m bid for the department store chain in late May, it soon learnt that the Professor was intent on gate-crashing the party.

Fraser aggressively started to purchase Debenhams shares in an overt attempt to thwart the Burton offer, and even when Burton raised its bid to £550m, the Professor carried on buying. An offer which seemed in the City to be verging on the generous was threatened by a Fraser holding which had risen to almost 25 per cent.

The irony of the situation was not lost on anyone, least of all S. G. Warburg and Cazenove, Burton's advisers. It was those two distinguished City firms which in August 1980 had plucked the professor from relative obscurity and arranged his appointment to the Fraser board. The professor's brief was a simple one—to secure the independence of House of Fraser and its prize asset, Harrods.

For more than four years he fended off the ingenious and frequently brutal attempts by Lonrho to take control of Frazer. In March this year his tenacity was rewarded. Three Egyptian brothers by the name of Al-Fayed wrested Fraser from Lonrho's grasp and gave the professor a free rein to run the business.

As Warburg and Cazenove discovered to their cost, the professor had learnt a thing or two from Lonrho about the influence that could be derived from a sizeable minority stake in another company.

The battles with Mr Tiny Rowland, Lonrho's chief executive, however, have provided more than an education in take-over strategy. They have turned the Professor of Marketing at Manchester University into one of the best-known executives in the UK. The police sergeant's son, who acquired his taste for industry as assistant director of the Footwear Manufacturers' Federation, became a national figure.

Roland Smith hails from Manchester and has never lost the Lancashire accent. "Being born in Manchester explains it all," he says with half a smile. "All the arrogance and the natural humility."

He still lives in the area and on every other Saturday in the season can be found at Old Trafford, spurring on Manchester United. His conversation is peppered with footballing references and jokes.

Those who know Smith well believe it was his sense of humour, coupled with his tenacity, which enabled him to survive the Lonrho onslaught. "He was," according to someone who advised him throughout that period, "one of the very few people in this country who would not have been broken by Tiny." He showed, according to a colleague, enormous intestinal fortitude. In a word, guts.

He made his way to the chairmanship of House of Fraser via a bewildering series of industrial and academic appointments. As a lecturer of economics at the University of Liverpool in the early 1960s, he came into contact with Val Duncan and Mark Turner of Rio-Tinto Zinc. "It was an almost priceless experience," he says. "You learnt entrepreneurship from those two men." In 1966 he accepted the marketing chair at Manchester but already the lecturing was taking a back seat to business.

He became chairman of Barrow Hepburn, Midland Aluminium and Senior Engineering, among other companies.

By the late 1970s the Professor had become virtually a professional non-executive director. Even now, despite the demands placed on him at Fraser, he is listed as a director of 16 companies. Yesterday Pavion International, formerly known as Sangers, announced that two non-executive directors were joining the board. One of them was Professor Smith.

A long-standing associate claims that Smith simply loves being the chairman of companies. "A chairmanship is like a pretty girl to him. He sees it and runs after it." He certainly takes an almost childlike delight in his directorships, a quality which extends to his professorship.

The Professor readily admits that he is not cut out for the full-time academic life. "What interests me is the application of ideas and the people who make them happen. I'm a sucker for someone who walks through the door and says I have a problem." He acknowledges that he drives people who work for him hard and demands a total commitment to the job.

Smith himself has surprisingly few intellectual pretensions. "I'm not a brilliant individual or academic but I'm a worker." He admits that he found Tiny Rowland's highly analytical and intellectual approach to corporate warfare hard to keep up with.

He is also very slow to ignite. "Throughout the Lonrho saga," a colleague recalls, "I never once heard him raise his voice." Smith's assessment of himself is characteristically dour. "I'm a classless character, a typical post-war product of grammar school and university." Classless he may be but, as even Tiny Rowland discovered, Professor Smith is not typical of anything.

UK HOUSE PRICES

The big North-South divide

By Joan Gray, Construction Correspondent

HOME-BUYERS who are anxiously wondering whether now is the right time to make a move before house prices take their next great leap upwards may relax—unless, that is, they are looking at the South East of England.

A repeal of the great general house price booms of the 1970s is currently ruled out by building societies and estate agents—but house prices in the South East are rising at least twice as fast as in the rest of the country and expected to continue to do so.

The result is a great and growing divide between North and South, with all the problems that involves for individuals wanting to move in search of work, and all the economic consequences that follow for the country as a whole. For Britain now has not one housing market but two.

The first is in London and the South East where, as Mr Tony Stoughton-Harris, chief general manager of the Anglia Building Society, puts it: "Confidence breeds confidence and the expectation that prices will continue to rise fuels the existing rise, particularly now that mortgage interest tax relief is safe."

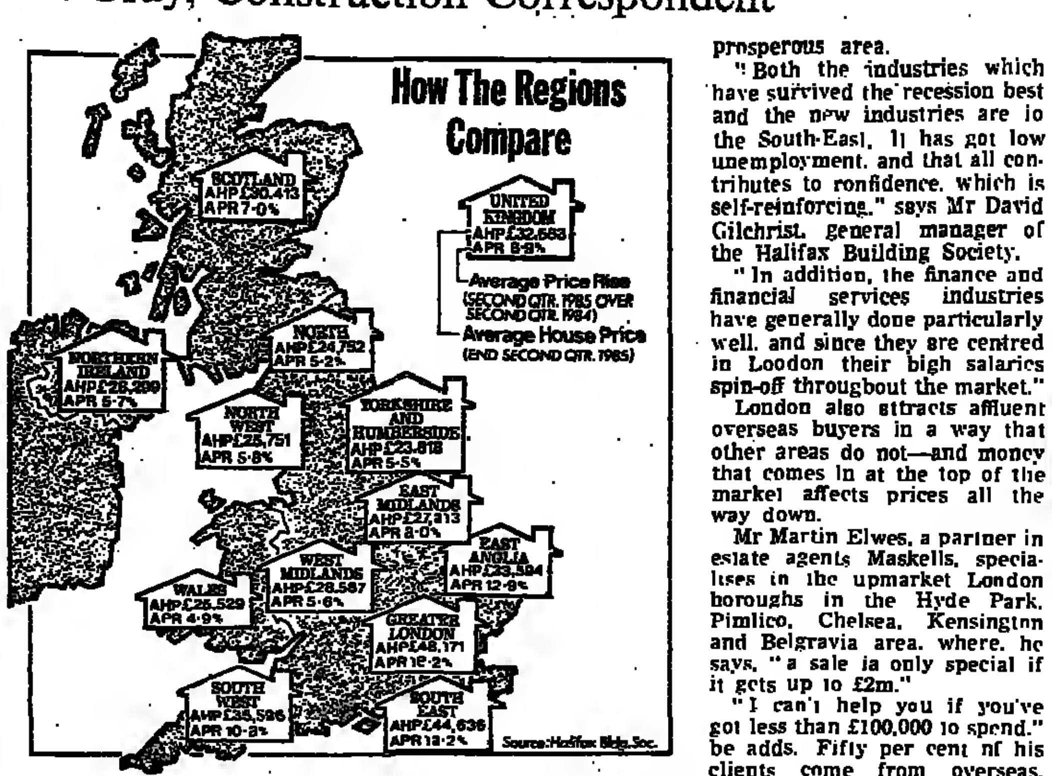
The second is in the rest of the country, where there is higher unemployment and where people are reluctant to move house or trade up-market if there is any possibility that their jobs might be threatened.

The Halifax Building Society—which uses the most sophisticated statistical techniques in calculating its House Price Index — confirms that house prices in the South East have been rising at more than twice the rate of those in the North, where the average annual rise is consistently 5-6 per cent.

Prices in Greater London, by contrast, have risen by 16.2 per cent in the last 12 months, while house prices elsewhere in the South East have also risen strongly, by 12.2 per cent this year.

The average price for a home in Britain is now about £32,680. The average in the South East is now £44,630 and in Greater London £48,170, but in Yorkshire and Humberside, it is £23,820.

The most basic pre-1919 terraced house, according to the Halifax, costs £15,650 in Yorkshire and £16,250 in the North West. But this shoots up to £47,620 in London and £32,000 elsewhere in the South East.



Graham Laval

Prices in the South East are less sensitive to seasonal variations and high mortgage interest rates than in the rest of the country.

Figures for house sales in July about to be published by the Halifax Building Society show that although the increase is slowing down nationally, it continues unabated in Greater London at an annualised 16 per cent. In Yorkshire and Humberside, for example, it has cent and in the North West fallen to an annualised 4 per and Midlands to an annualised 2.8 per cent.

The different regional rates of increase in house prices over the last two years have aggravated the already wide gap between the cost of housing in the North and South to the point where it is becoming prohibitively expensive for a family to come south to look for work.

The Halifax quotes the example of "a family with a house worth about £32,000 in January 1983, living in the South-East." If the head of the family had decided to move to Yorkshire for work reasons, they could have moved up from a three-bedroomed semi to a three-bedroomed detached house for the same price.

"But assume they need to move back south two-and-a-half years later. The detached house in the North has risen in value to around £34,000, but for this amount they can now only afford a terraced house in the South-East.

"To return to their original semi they would have to find another £7,000; to maintain the housing standard they have grown used to in the North they need to find £23,500 more."

The Incorporated Society of Valuers and Auctioneers has also analysed the deterrent effect of increased house prices on people who might want to move south to find work. It concludes that a family wanting to move from a £30,000 house in the Midlands, for example, would now have to find £24,690 extra to move south.

The figures become even more daunting if the family wants to move south from a detached house and keep anything like the same standard of living.

Whereas a detached house in the North costs £40,230, in the Midlands £44,420 and in the North West £44,950, the same average detached house in the South-East will cost £70,105 and in Greater London a prohibitive £93,880.

The principal cause of high house price inflation in the South-East is a combination of high demand and shortage of supply in the country's most prosperous area.

"Both the industries which have survived the recession best and the new industries are in the South-East. It has got low unemployment, and that all contributes to confidence, which is self-reinforcing," says Mr David Gilchrist, general manager of the Halifax Building Society.

"In addition, the finance and financial services industries have generally done particularly well, and since they are centred in London their high salaries spin-off throughout the market."

London also attracts affluent overseas buyers in a way that other areas do not—and money that comes in at the top of the market affects prices all the way down.

Mr Martin Elwes, a partner in estate agents Maskells, specialises in the upmarket London boroughs in the Hyde Park, Pimlico, Chelsea, Kensington and Belgravia area, where, he says, "a sale is only special if it gets up to £2m."

"I can't help you if you've got less than £100,000 to spend," he adds. Fifty per cent of his clients come from overseas, with demand being fuelled particularly by the number of overseas banks and financial services companies opening up in London.

"If you suggest Wandsworth to a banker from New York he won't know where it is but will want to come and live in my area," he said.

Buyers in Mr Elwes' patch will have seen the value of their property double over the last two years and increase by 25 per cent since January.

But as Mr Mark Boleat, Deputy Manager of the Building Societies Association puts it, there is a danger in looking at "the whole of London as if it was in Mayfair or within a mile of El Vinos."

But there are still areas of London which offer comparatively cheap housing. These include Lewisham, where according to the Nationwide's figures the average price of a house is now £38,830; Hackney, where it is £40,265; and Greenwich, where it is £41,975.

One way of escaping the high cost of housing in the South East is to find the next area to be gentrified after Camden and Islington. Another is to find a rundown house in need of improvement. For with the disappearance of local authority improvement grants these are now becoming artificially low in high demand.

UK RECORD RETAILING

The turntable now spins full circle

By Raymond Snoddy

THE NEW Virgin FM radio station in London which switched on this week has four full-time disc jockeys, is equipped to IBA standards, and expects as many as 8m people a year to hear its chatter, jingles and music.

The station's new advertising rate card offers 30-second spots at £1.37 each. But they will be heard only in a very precise location at the bottom end of Oxford Street — in the redesigned and expanded Virgin Megastore.

To John Revell, who suggested the idea for what is believed the first radio station in a record store in Britain, it was a way of realising his ambition of becoming a disc jockey. As for Virgin it was an imaginative way of attracting people off the street to browse, stay and buy records.

When it is complete in November the store will have 27,000 square feet devoted to the sale of recorded music and Mr Johnny Fewings, managing director of Virgin Retail, forecasts that in its first full year of trading the store's turnover will exceed £15m.

The £1.5m refit in distinctive livery by Conran Associates is a symbol of a renaissance in Britain's record retailing industry.

For the record industry, which seemed to be entering a period of gradual and inevitable decline following the high spots of the 1960s and early 1970s, is fighting back against other leisure activities such as home computers.

The revival can be explained partly because of the success of other products. Recorded music is no longer confined to the living room with cassettes accompanying early morning joggers, commuters and motorway drivers. And the market for the compact disc—now also portable—is starting to grow dramatically, with 3m discs expected to be sold in the UK this year.

There is also a realisation that record retailing is part of the fashion business, and that sales go up if you cover the walls in zebra wallpaper and make a visit to a record store as much a social occasion as a shopping purchase.

Sales are up for the fifth quarter in a row and retail sales of records and tapes in 1984 rose to £550m, considerably ahead of inflation. However, the level of spending on recorded music has declined as a percentage of total consumer spending since 1978.

The retail battle about to break out may change all that. Three hundred yards up Oxford Street from the Virgin Megastore site, HMV, the Thorn EMI record subsidiary which first

Johnny Fewings of Virgin Retail outside the new Virgin Megastore in Oxford Street.

opened a record shop in Oxford Street in 1921 plans to strike back with what they say will be the biggest record store in the world.

HMV is to open a 30,000 sq ft outlet before Christmas which HMV claims will be the definitive record store. "By definitive we mean everything," says Dr Jim Maxmin, group director of Thorn EMI Home Electronics.

HMV already has plans to open five new specialist record stores in the UK in addition to its existing 40 and is looking at international expansion in Europe and North America.

"I see no reason why the growth pattern established over the past couple of years should not continue. There is a wider interest in all types of music and people are carrying forward the teenage habit of buying music as they grow older," Dr Maxmin believes.

While HMV is looking at the North American market, one of the leading American record retailers, Tower Records of Sacremento, California, plans to open in London.

Tower is to open a 20,000 sq ft store in the ground floor of Swan and Edgar, the former department store at Piccadilly Circus.

The fact that the new HMV store will displace the Tower store in New York as the world's largest adds piquancy to the coming transatlantic battle.

Mr Ian Howard, managing director of Music Market, has no international ambitions at the moment. The chain has 16 shops ranging from Manchester to Taunton and a turnover of £5m a year. Music Market plans to open seven new shops by Christmas and business, Mr Howard says, "is very very buoyant."

Specialist music shops, he believes, are the latest sector of retailing to force its way into the High Street. "People have finally realised that music is a way of life," Mr Howard says.

Mr Gary Nesbitt, chairman of Our Price which has 105 stores already trading and plans to open 100 more over the next five years, believes one factor in the success is that the industry has held its prices fairly stable. He sees recorded music as good value and as a result home taping, he believes, is not as serious a problem as in the 1970s and early 1980s.

Our Price, which had a turnover of £26m in the year ended May 1984, is expected to announce a 40 per cent increase in sales for its next financial year.

Nesbitt takes a measure of grim satisfaction from the fact that the record industry appears to be emerging victorious in the battle for the consumer's ear against computerised space invaders games.

The hectic programme of record shop openings at Our Price contrasts with its decision to close two experimental computer software shops.

Despite the frantic activity and growing optimism in the industry, the underlying picture is far from clear. Terri Anderson, public relations manager of the British Phonograph Industry, the trade association, says the situation reminds her of the children's game in which by careful counting children "prove" they really have eleven fingers.

Johnny Fewings of Virgin is also puzzled. "We have doubled our business in the past three years. Clearly that is a dramatic increase, but where that is coming from I cannot really say."

Because Virgin is also a record producer as well as a retailer, he knows that the BPI statistics suggesting a 15 per cent growth in record deliveries to the shops are also correct.

One possibility is that the specialist record stores such as Virgin may be gaining at the expense of multiple outlets such as W. H. Smith. According to BPI, the multiple stores account for about 36 per cent of all LPs sold.

Mr Malcolm Field, group managing director of W. H. Smith, expects his company to increase its market share in recorded music from its present 12.5 per cent worth about £70m.

F. W. Woolworth, which claims market leadership with a 15 per cent share worth about £100m, is also spending £3m on refitting record departments.

The company says it has identified records as one of the areas to focus on and believes there is considerable room for expansion. Woolworth recorded music sales are at the moment spread rather thinly over 850 stores.

Mr John Deacon, director-general of the BPI, emphasises that despite the improvement, sales in real terms are still 27 per cent lower than 10 years ago. "But we can with pride and no little relief say that we again have a buoyant industry."

Letters to the Editor

The stimulus of acquisition

From Mr B. Baboulene

Sir,—Mr R. Oakeshott (July 29) takes many words to remind us of something the early Socialist economists spotted, namely that the more nearly equal our rewards the greater will be the incentive effect of a quite small differential above the norm.

Unfortunately this truism gives no practical guidance to statesmen on specific issues. If there had not been great, indeed grossly unfair, differentials in the past, from the time of the Pharoahs onwards, everything would have been consumed and nothing invested and we could all be living hand-to-mouth.

How much inequality, and in what forms, is economically optimal or politically acceptable in a rich modern high-tech society is constantly changeable and a matter for running debate. In a Christian society the extremes could not exist because the haves would be perpetually giving to the have-nots, and a country can take credit for institutionalising this democratically through the tax system. True, it lets the individual "have" off the hook (a spiritual debit) but the "have-not" does not have to feel beholden (credit).

I suggest that inequality is too great when the haves stop investing in productive or socially useful projects (not necessarily at home) and instead start accumulating more ostentatious luxury than they can possibly enjoy. Mr Oakeshott might agree with me that by this criterion we have always been too unequal and that matters are now being made considerably worse.

Bernard L. Baboulene.

10, Richmond Avenue, SW20.

Linguistic ability

From Mr A. Buxton

Sir, — You have recently printed several letters arguing that British businessmen have poor linguistic ability and that this has a bad effect on our export performance. It is an argument I have heard repeatedly over the years and, as a recent ambassador in South America, I believe it is a valid one.

But the advertisements which appear in your appointments pages provide little evidence of interest in recruiting sales staff who can cope in foreign languages. There are, however, plenty of jobs advertised for bilingual secretaries. One gets the impression that the British export sales executive prefers to depend on foreign girls in his office at home and local agents abroad to speak (or him)...

It is one way to do business but is not good enough for a company, or a country, which is really interested in promoting exports.

Adrian Buxton.

7, Grove Road, Merrow, Guildford, Surrey.

Graphology for all

From Mr O. Ladimeji

Sir,—If graphology is such a good idea (J. Reid, July 30) then applicants should be entitled to samples of the handwriting of employers and executive search agents. It is not only an applicant who can be "very clever at saying what his hearers wanted to hear while not always telling the whole truth," and it is not only employers who can say that an "appointment was a costly disaster" given an applicant's opportunity cost.

I will take it as a sign of sincerity when an employer is willing to subject himself to the equivalent risk of losing a perceived ideal employee because of the opinions of a third party graphologist about his character. Without that the exercise is fundamentally flawed and hypocritical.

O. A. Ladimeji.

Flat 5, 10a Airlie Gardens, W8.

Lettable property

From Mr M. Mitchell

Sir,—The report of the National Federation of Housing Associations (July 26) is remarkable for its errors both of omission and commission.

So far as the first is concerned there appears to have been no mention of the baleful effect of the Rent Act upon property owners. It is surely well enough known by now that this Act so far favours tenants and penalises landlords that a great deal of property which might be let is simply not available—nor likely to be. There have been plenty of instances where otherwise perfectly normal and reasonable tenancy agreements have been used by tenants, taking advantage of the Act, either to "dig in" and remain living in premises which they have been asked to vacate, or to accept a substantial payment to move. While doubtless the originators of this Act had good intentions, the effect of their action generally has been precisely the opposite to that which (one can only presume) was intended. The market in houses to let has thereby been severely constrained, and the level of rents, as a result of reduced competition, has been raised in a market which is the opposite of free. Apparently the Government too has failed to notice this.

On the second point the suggestion that mortgage tax relief should be ended would, if implemented, be extremely damaging to young property owners and intending purchasers, while having little material effect upon those of more mature years who use the existing law to their own advantage.

Surely it would have not stretched the Federation's imagination too far to have recommended that rents should be taxed separately from other income? Given repeal of the punitive provisions of the Rent Act, and maintaining mortgage tax relief in a form modified so that the young are not adversely affected, such a measure should ensure the release of a large volume of property to let, quite sufficient, in time, to meet the national need.

I suggest, sir, that there is no real shortage of lettable property in this country, only hopelessly biased and unfair legislation which ensures that it does not come to the market. Unless and until this is realised and accepted there will of course continue to be a housing "shortage."

M. R. S. Mitchell.

The Old House, Aldham, near Colchester, Essex.

Over to the employers

From the Director, Electrical Contractors' Association

Sir, — Alan Pike's article, "Over to the employers" (July 29) makes the significant point that no matter what the Government does for youth training in this country, employers must be prepared to grasp the financial nettle and put their own house in order.

He makes no mention, however, of the electrical contracting industry where employers have already grasped this particular nettle. Indeed, two years ago we abandoned the traditional apprenticeship and replaced it with a brand new training scheme unrestricted by age and time limitations which introduced standard tests of practical skills and competence. Since then we have seen the number of trainees increase sixfold to 6,000 at present.

Unlike the engineering industry cited by Mr Pike, electrical contracting has gone a long way towards redressing the imbalance and the shortage of trained operatives caused largely by the recession in industry in recent years.

H. McKay Simpson.

34 Palace Court, W2.

A respectable gloss

From Mr D. Peters

Sir,—There is one point about the statutory audit criticised by Touche Ross that seems to have been overlooked by your correspondents. It can be counter-productive.

Here is a real-life example, heavily disguised. A small firm has two director-shareholders and two non-director shareholders in an impotent minority. The auditors are the undeniably grand firm of Smith Jones Robinson, up there in the big league with Touche Ross, Cooper Lybrand, Arthur Young McLelland Moores. *et al.*

When the auditors prepare the annual accounts, they are simply playing back to the directors the information that the directors have given them. They also have been known to say, in explicit terms, that it is not their job to criticise the way the directors run their business.

Two more important points: if auditors can be seen as spies for the Inland Revenue, they are not going to keep this little firm as clients (nor, perhaps, any other firms, large or small); and, secondly, many people expect that auditors have not earned their fees if they merely check the arithmetic—they have to be tax-avoidance coaches as well.

The danger in this last function is that the amateur tax-avoiders may not be as skilful as their professional coaches in making the distinction between tax-avoidance and tax-evasion.

Now to the real-life situation: the little firm in question has, in three successive audited accounts, shown a total of about £16,000 of losses. The natural result of undeniably increasing sales would have been £20,000 of profit. When questioned, the directors do not explain the paradoxical result: they say: "How dare you question the integrity of Smith Jones Robinson!"

Smith Jones Robinson say: "We've asked the directors to let us check our work at our own expense (because the results do seem to be odd, now you mention it). But they've refused to show us the books, and there's nothing more we can do. We're sure you have no need to worry!" As Mandy Rice-Davies pointed out, what else can they say?

To cut a long story short, the statutory audit gives a respectable gloss to the theft of £36,000 from the company—all free of tax. There must be a better way, surely?

Don Peters.

1099a, London Road, Leigh-on-Sea, Essex.

Discounts for pensioners

From Mr L. Townson

Sir, — In describing British Rail's Senior Citizen Rail Card as "probably the best-known discount," Martin Baker (July 27) was no doubt correct, but no longer in stating that it offers a 50 per cent saving on virtually all BR fares. Since May 12 this has been reduced to 33 per cent, and furthermore a drastic cut made in the mileage distance for day return tickets down to 50 miles from the station of issue. Whereas formerly a day return from Bath Spa to Paddington was £6.45, the demand is now for £9.90 for travel not earlier than the 09.32 on Monday to Thursday, when trains are likely to be lightly loaded, and £13.20 at weekends.

BR has thus greatly decreased inducement to the retired to make use of train travel during off-peak days and times, and not even considered honouring the terms on which current holders bought their Rail Card prior to May 12. The result is certain to be much to the advantage of the bus and coach services, as for many retired folk not enjoying index-linked pensions, low fares are of greater importance than swift travel.

L. R. Townson.

Apartment 5, 26, Monmouth Street, Bath, Avon.

Non-stick mirror

From Mr J. Dwyer

Sir, — With the greatest respect to the dear old Production Engineering Research Association (Technology Page, July 24) I'll believe all that guff about the wonder of adhesives when they can do a simple thing like hold my Metro's rear-view mirror to its windscreen.

John Dwyer.

241, Lower Road, Great Bookham, Surrey.

BUILDING SOCIETY RATES

	Share	Sub'pn	Other
Abbey National	8.25	8.25	9.52 Seven-day account
			10.75 Higher interest account 90 days' notice or charge
			7.00/9.52/10.00/10.50 Cheque-Save
			11.00 High rate bondshare
Aid to Thrift	*10.20	—	— * Easy withdrawal, no penalty
Alliance	8.25	9.25	10.00 BankSave. Balance of £2,500. Current account. Balance under £2,500, 9.00. Minimum initial investment £500
			10.00 Gold account. Minimum investment £500. Imm. wdl.
			11.00 Premier ½-yearly/mthly. min £1,000. Imm. wdl. (pen.)
Anglia	8.25	8.25	10.00 Instant gold. Annual int. No notice or penalty
			10.75 3-year bd. 90 days' not./pen. Differential 2.5 guaranteed
			11.00 Capital plus £10,000+. Annual int. 60 days' not./pen.
Barnsley	8.25	10.00	10.75 2-year term share—£1,000+—3 months' notice
			10.10 Special invest. (28 days' notice) 10.10 monthly inc. o/c
Bradford and Bingley	8.25	8.25	10.00 No notice, no penalty. £1,000+
			11.00 3 months' notice without penalty: £5,000+
Bristol and West	8.25	8.25	8.50 Plus account £1,000+. No notice. No penalty
			10.30 £20,000+, 10.10 £5,000+, 8.90 £1,000+ 7-day notice Triple Bonus. Also monthly income
			11.00 Special 3-month account, £5,000+, 3 months' notice
Britannia	8.25	8.25	10.80 90 days' notice
Cardiff	8.75	8.85	10.80 90 days' notice or penalty if balance under £10,000
Catholic	8.55	8.55	10.05 Extra share, £5,001+ 10.30, 30 days' notice
Century (Edinburgh)	8.85	—	9.30 Guaranteed rate 2/3 years (or variable account)
Chelsea	8.25	9.25	11.10 Immediate withdrawal interest pen. or 3 months' notice
Cheltenham and Gloucester	—	9.25	10.75 Gold. No notice. No penalties. £20,000+, 10.75. £500-£19,999 10.25. Under £500, 8.25
Citizens Regency	8.25	8.75	10.00 7 days. 10.00 1 month, 10.25 2 months, 10.85 3 months
City of London (The)	8.50	8.75	10.25 3 months' notice—no penalty—monthly income
			9.95 7 days' notice immed. access for amounts over £5,000
Coventry	8.25	9.50	11.10 3-year bond £1,000+, close 90 days' notice and penalty, monthly income option, guaranteed 2.85 differential
			10.75 Moneymaker £20,000+, 10.50 £5,000+, 10.25 £1,000+, instant access no penalty, monthly income option
Derbyshire	8.25	9.50	11.00 2 years, 3 months' notice. 10.75 monthly income
Frome Selwood	8.25	10.50	10.80 90-day account, instant access for balances over £10,000
Gateway	8.25	8.25	10.75 Gold star £20,000+ No notice. No penalties. 10.50 £5,000+ 10.03 £1,000+
Greenwich	8.25	—	10.20 60-day account (no notice account 8.50-10.00)
Guardian	8.50	—	10.85 5 months' not. £1,000 min. Access to balance £10,000+
Halifax	8.25	9.28	9.75 Instant Xtra. Immediate withdrawal no penalty
			10.75 90-day Xtra. 90 days' notice no penalty (£500 minimum)
			10.60 Premium Xtra (£10,000 min.) guaranteed 2.00 diff. 3 yrs.
Heart of England	8.25	8.90	11.00 and 10.75 High Interest. 10.00 90-day notice
Hemel Hempstead	8.25	9.75	11.00 90 days. 10.25 60 days. 10.00 28 days
Hendon	9.35	—	10.10 7-day account. Minimum £500
Hinckley and Rugby	8.25	11.55	10.80 1-year certain minimum £500 monthly income £5,000
Lambeth	8.40	8.50	9.90 7-day a/c. 10.85 Magnum a/c 6 weeks+loss of interest
Leamington Spa	8.35	—	10.50 Super share, no notice, 14 days' pen. £2,000 minimum
			11.10 Super share, no notice, 14 days' pen. £5,000 minimum
			11.40 Super share, no notice, 14 days' pen. £20,000 minimum
			10.50 High flyer, no notice, no penalty, £5,000 minimum
			10.75 High flyer, no notice, no penalty, £20,000 minimum
Leeds and Holbeck	8.25	10.00	11.00 Monthly interest, 10.25 28 days' notice, 10.80 90 days' notice or penalty, neither if £10,000 still in account
Leeds Permanent	8.25	8.25	10.75 Limited edition £5,000 3 months' notice or 90-day pen.
			10.25 HRAS 3 mths.' not., 10.00 Liq. Gold no pen./no notice
Leicester	8.25	9.26	9.60 £500+ Immediate withdrwl. no penalty, 10.75 £10,000+ minimum 1 year, 10.25 £2,000+ minimum 1 year
London Permanent	8.75	—	11.00 60 days' notice or imm. wdl. no penalty if bal. £7,500+
Midshires	8.25	—	11.00 Prestige £500. 2.75 gtd. 3 yrs. 3 months' notice/penalty monthly income £1,000
Mornington	8.80	8.25	9.80 £2K, 10.00 £2K+, 10.10 £10K+, 10.25 £20K+
National Counties	†8.55	8.80	10.85 90 days' notice, no penalty £10,000+. † £1,000
National and Provincial	8.25	9.25	10.75 APEX 3rd iss. (+2.50 gtd. 3 yrs.) 60 days' notice/pen.
			10.75 Special share 60 days' notice/penalty unless £10,000+
			10.25 Money man. £10,000+. No notice, no penalty
Nationwide	8.25	9.25	10.75 Capital bonds, 3 years, 90 days' notice/penalty
			10.75 Bonus-90 £20,000+, 90 days' notice/penalty
			10.50 Bonus-90 £10,000-£19,999, 90 days' notice/penalty
			10.25 Bonus-90 £200-£9,999, 90 days' notice/penalty
			8.75 Double bonus, minimum £500, no notice/penalty
Newcastle	8.25	8.50	10.75 Two-year term. 10.25 60 days' notice. 8.75 7 days' notice. On demand by arrangement
Northern Rock	8.25	9.50	10.75 Moneyspinner plus £20,000 or more, instant access
			10.25 Moneyspinner plus £10,000 or more, instant access
			10.00 Moneyspinner plus £5,000 or more, instant access
			9.75 Moneyspinner plus £500 or more, instant access
Norwich	8.25	9.50	8.80 7-day share/monthly income option 10.00 on £10,000+
Peckham	8.60	—	9.90/10.40 Immediate withdl. if over £2,000. Monthly income
Peterborough	8.25	8.55	10.85 pe "85" shares—85 days' notice—monthly income
Portman	8.25	10.50	10.25 Flexi-plus. Minimum £500. No notice, immediate withdl.
			10.55 Premium. Minimum £500. 2 months' notice. No pen.
Portsmouth	8.40	9.90	11.20 5-year, 11.00 3 year. 10.85 90-day. 10.25 30-day
Property Owners	8.75	10.25	10.75 £10,000+, 10.55 3 months, 10.10 immediate access
Scarborough	8.25	8.50	10.45 Over 55s no penalties M.I. minimum £250—10.15
Skipton	8.25	8.50	10.80 Sovereign £10,000+, 10.30 £500-£9,999 monthly income 10.30 min. investment £2,500, instant access no penalty
Stroud	8.25	8.00	11.00 2-year term. Notice accounts 10.75 3 months, 10.25 1 month
Sussex County	8.25	8.70	8.50 7-day, 8.90 Sussex High, 10.75 90-day
Thrift	8.20	—	10.20 3-year term. Other accounts available
Town and Country	8.25	—	11.00 2-year term £10,000+, 10.75 £500-£9,999 withdrl. avail.
			10.75/7.00 Moneywise cheque/Visa. Int. varies with balance
			10.75 Super 60 ½-year interest £500, wdl. available, mth./inc.
Wessex	10.10	—	— No notice—no penalties—minimum £1
Woolwich	8.25	—	8.75 Prime—no notice, no penalty, minimum £500
			8.75 Monthly income shares, 28-days' notice
			10.75 Capital, 90 days' notice/penalty
Yorkshire	8.25	8.25	10.12 Ore. key, £10,000+ wdl. no pen. —£10,000 28 d. nt./pn.
			11.05 Plat. key, £10,000+ wdl. no pen. —£10,000 60 d. nt./pn.

All these per cent rates are after basic rate tax liability has been settled on behalf of the investor

UK COMPANY NEWS

Lloyds Bank up 26% to £264m

Lloyds Bank, the smallest of the UK's big four clearers, yesterday closed the interim results season with an announcement of a 26 per cent profits increase, which was above most City forecasts.

The bank, famous for its Black Horse sign, also exceeded analysts' forecasts for the dividend which is being raised by 19 per cent from last year's scrip issue adjusted 6.3p to 7.5p.

Pre-tax profits rose by £54m to £264m and were struck after an

increased provision of £126m, against £115m, for bad and doubtful debts, mainly reflection problems on the international front where Lloyds is the most heavily exposed British clearer in South America.

Sir Jeremy Morse, the chairman, considered the provisions to be substantial and said that "In the past half-year, competition and volatility of markets have both intensified."

Despite this, he said "we have improved our earnings; and with the growth of costs contained, and a lower tax rate, we can both raise the dividend and further strengthen our capital ratios from retained profits."

He stressed that Lloyds from now on would focus on post-tax results as the group now made full provision for deferred tax for current leasing business following the tax measures in the 1984 Budget.

"It is the post-tax figure which matters most, because it is both the source of retained profit to finance future growth of our business and the source of dividends paid to shareholders."

Earnings per share, providing a dividend cover in excess of five, rose from 28p to 40p and attributable profits improved by £43m to £141m—tax accounted for £123m, against £108m, and there were minorities of £4m last year.

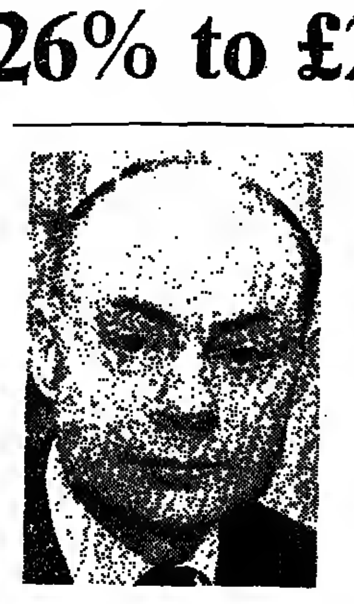
The results to June 30 reflected, above all, "a continuing emphasis on profitability rather than volume growth. "While earnings per share grew by 43 per cent, the volume of average total assets grew by only seven per cent.

Post-tax return on assets improved from 0.49 per cent to 0.64 per cent and return on equity rose to 13.5 per cent, against 10.9 per cent.

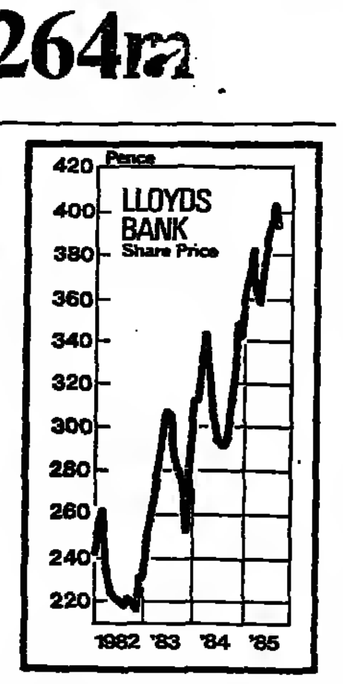
The main source of this improvement was an increase of £116m to £1.07bn in total income. Net interest income, "the most important component of earnings," expanded by 12 per cent to £754m.

Around half of this increase arose from better margins: "Despite strong competition for deposits and the introduction of composite rate tax in the UK pushing up the cost of funds, the net interest margin rose to 3.42 per cent from 3.26 per cent a year ago," said Lloyds.

Profitability of businesses at home continued to improve, the bank added, despite intensifying competition from both traditional sources and from new entrants to the market. Domestic



Sir Jeremy Morse, chairman . . . "competition has intensified"



profits for the half-year were up by £27m to £103m after tax, and the return on post-tax assets improved from 0.93 per cent to 1.16 per cent.

The bank said: "There was again a strong performance from domestic banking and an improved contribution from Lloyds and Scottish."

In the clearing bank, average non-interest bearing current account balances increased by 4 per cent; although seven-day deposits fell by a similar amount, this was more than offset by an increase in other retail deposits paying higher rates of interest.

The charge for bad and doubtful debts at £49m was virtually unchanged with specific provisions "well spread, mainly among small- and medium-sized businesses and personal customers."

However, while international operations recovered to a post-tax level of £38m against last year's £26m, the provision for bad debts increased by 18 per cent to £77m. "A further addition to the general provision recognised the continuing uncertainty surrounding lending to some overseas borrowers," Lloyds said.

U.S., European and Australasian earnings all improved and there was some recovery in Latin American profits, hot results remained depressed in the Far East and the Middle East after allowing for bad debts.

See Lex

Wiggins incurs £1.3m loss

BY STEFAN WAGSTYL

Wiggins Group, property developer, building contractor and motor dealer, has suffered its third annual loss in succession with a pre-tax deficit of £1.3m for the year to March, against a restated £1.4m.

The group, which ran into difficulties because of the heavy cost of financing its land holdings, says that property disposals came too late in the year to reduce interest payments sufficiently.

But with the completion of several disposals, net debts have fallen by £2.7m to some £7m, against shareholders' funds of £4m.

Mr Stephen Hayklan, the chairman, said the group had also carried out a painful programme of cutbacks, primarily in the contracting business, reducing group manpower from over 900 to about 700, largely accounting for exceptional charges of £362,000 (£794,000).

He said the company was budgeting to make a profit in the current year.

Wiggins is not paying a dividend for 1984-85, after paying only an interim 1.25p in the previous year.

Turnover was £62.7m (£60m). Pre-tax losses were made up of a £1.6m on contracting (£1.1m loss), a £181,000 profit on property development (£629,000 loss), and a £122,000 profit on motors (£247,000 profit).

After a tax credit of £379,000 (£259,000), the loss per share was 9.4p, against 12.7p.

The company says that it continues to suffer in contracting from narrow margins and from a reduction in private and public sector capital spending. For this reason overheads have been cut and peripheral businesses closed down.

Mr Hayklan says that the company is close to completing the development of the Berkshire Centre industrial site, which has been a particularly heavy burden on funds for the past four years.

Prudential's £35m unit trust sales

Prudential Unit Trust Managers, the unit trust operation of the Prudential Corporation, Britain's largest life company, reports £35m sales of unit trusts in the first three months since the launch of the operation on May 1 this year.

Mr Keith Bedell-Pearce, marketing director of Prudential Unit, described the figures as being at the "upper end of our expectations."

Mr Alan Wren, managing director of Pru's unit trust operations, said that sales had been fairly evenly spread over the period and the majority of investment had come from first time unit trust buyers.

Phoenix Timber plunges into red

Phoenix Timber Group dived into the red in the second six months ended March 31 1985 to finish the year with a pre-tax loss of £81,000, compared with a £936,000 profit previously.

The result, however, included profit earned from continuing businesses of £456,000 and from this was deducted the running costs of surplus properties of £218,000 and losses totalling £319,000 incurred by Redlake (Southern) now sold.

In view of the profit earned by the continuing businesses, the company is paying a final dividend of 1.5p—albeit lower than last year's 2.5p—making a total of 3p (4p) net. Stated loss per 25p share was 2.1p (26.8p earnings).

In making the dividend decision, the board has taken into account that despite the severity of the trading setback, which has continued into the current year, the group returned to profitability in June, 1985.

Mr D. S. Cook, the chairman, says that in common with all sectors of the timber industry the group's trading in the second half proved more difficult than in the first, as conditions in the building and construction industry deteriorated.

Reduced construction output led to lower demand, intense competition for available business and a consequent narrowing of profit margins. The subsequent rise in interest rates and sharp fluctuations in exchange rates further aggravated trading conditions.

Mr Cook says the review and rationalisation of all aspects of the group's trading continues. The benefits are expected to start showing through in the current year, when it is believed that the expected reduction in borrowings will also improve the capacity for expanding the group's profitable operations.

Turnover was £5m lower at £43m, although continuing businesses were ahead at £40.91m (£40.48m). Operating profits were £1.86m (£2.76m), but these were wiped out by interest charges of £1.94m (£1.82m).

● comment

Last month a group of dissident shareholders led by Mr Michael Hermann, a board member, failed to wrest control of Phoenix Timber from its management. If anybody in the industry had been waiting on the sidelines to step in with a bid, then was their opportunity to snap up the dissidents' 30 per cent shareholding. Instead there was an ominous silence. It is likely to remain after figures like these: if there was little enthusiasm for the company before the figures came out, there will be still less now. The company has suffered from the downturn in the building industry, from the effect of rising interest rates on its large debt burden, and from an effective write-down in the value of its stocks through the strengthening of the pound. It has also lost heavily on businesses "only recently acquired. The company says that when its loss-makers are stripped out the remaining activities are making £456,000 a year, but the first two months of this year have already seen further losses. If interest rates plummet, sterling stays rock steady and there is a housebuilding boom, Phoenix will probably make a good profit this year. The market's assessment of the likelihood of such a scenario was reflected in the share price, which shed 16p to 102p.

Guinness paying £24m for newsagent chain

BY LISA WOOD

Guinness, the brewing and retailing group, further strengthened its retailing arm yesterday with the announcement it is to buy 371 newsagent shops in Scotland and the North East for £24m from the Southland Corporation of Dallas, Texas.

The acquisition of the R.S. McColl chain reinforces the brewers' position as Britain's biggest and fastest growing newspaper retailer with over 1,100 outlets in the UK. The cash deal, which is agreed in principle, is conditional on it not being referred to the Monopolies and Mergers Commission.

Guinness, which is currently involved in a fierce take-over bid for Arthur Bell, the Scotch whisky company, last month spent £10m on buying 150 newsagents shops from Barker and Dobson, the confectionery company.

These outlets, the Lewis Meeson chain, were brought into the group's Martin Retail group which trades under names including Martin and Lavells. Annual turnover of the CTN division is around £400m.

Martin the Newsagent, acquired by Guinness in 1984 has been the spearhead of the company's retailing activities with the CTN chain making a strong contribution to group pre-tax profits which rose by 20 per cent from £30.9m to £37.2m during the first half to end of March 1985.

Guinness said yesterday the acquisition of R. S. McColl marked further progress in its strategy of building a national leadership position in the CTN sector of convenience retailing. Chains of CTNs account for some 25 per cent of the total market, with other chains including NSS Newsagents (500 outlets), W. H. Smith (350) and W. H. Menzies (230).

The Southland Corporation bought the McColl outlets six years ago as an entry into convenience retailing in the UK with the company pioneering the "7-Eleven" retailing concept in the U.S. Southland never introduced the concept into McColl.

Guinness, through its subsidiary Neighbourhood Stores, is the UK licencee for "7-Eleven" and has some 30 such outlets to date.

It is envisaged that the management and staff of R. S. McColl long term development of the will play a major role in the Martin Retail Group, divisions of which have gross margins on turnover approaching 3 per cent, the highest in the industry. Guinness believes it can take those of McColl from around 2.5 per cent to 4 per cent in the near future.

In the financial year ended October 27 1984 profits for Southland-McColl, the holding company for R. S. McColl, were £2.7m. At October 7 1984 net tangible assets were £10.8m.

Polly Peck expands in Turkey

BY DAVID GOODHART

Polly Peck International, the fruit packing, electronics and water bottling company headed by Mr Asil Nadir, yesterday announced the acquisition of more packing and storage facilities in Turkey.

The two plants in western and south western Turkey and one in south eastern Turkey have been bought from two individuals for 5.3m ordinary Polly Peck shares, the equivalent of £12.19m. The shares will not qualify for the present year's interim dividend of 1.5p.

The company, which does the bulk of its trade in Turkey, saw its share price fall yesterday by 1p to close at 229p.

The purchase more than trebles the group's in-house cold storage facilities. It re-emphasises its strong commitment to Turkey where it spreads its interests more widely.

Polly Peck said yesterday: "The acquisition of these new facilities, which increases the depth of hte agricultural division's geographical coverage, will strengthen the group's trading operations in southern Turkey as a whole."

The volume of agricultural work in Turkey has been greater than expected in recent months. The Government has announced recently a slight reduction in levels of tax from the export of fruit.

Polly Peck's stockbrokers, Messel said last night it was encouraging to see further investment in an area which had already proved itself.

The brokers released their latest profit forecast for hte company of £82m, up from last year's £50.55m, for the year ending August 31 1985.

Substantial rise for Stockley

Stockley, the rapidly-growing property development and investment group, made substantial progress in the six months to May 31 1985 with profits for the period totalling £1.15m. There was no tax charge and stated earnings per 10p share came to £0.98p.

In the period from November 7 1983—the date of incorporation—to May 31 1984, the company incurred a loss of £74,000, representing a 0.09p deficit per share. In its first full year of incorporation, Stockley made a profit of £88,000.

As the company is still in its early stages, the directors do not yet consider it appropriate to declare a dividend. They say, however, the situation will be kept closely under review.

The board expects that arrears on the preference shares, amounting to £210,000 at May 31 1985, will be cleared within the next 12 months.

Revenue for the six months totalled £1.47m, of which £413,000 was net rents receivable. £967,000 profit on sale of properties and £86,000 interest receivable. Administration expenses took £257,000 and finance costs £32,000.

Mr Ron Peet, the chairman, says the acquisition of the bulk of European Ferries' UK property interests, in a deal valued at £61.5m, has substantially increased the company's capital base. It has also provided a range of commercial properties at various stages of development and a healthy flow of additional rental income.

Good progress has been made with the Euro Ferries portfolio since its acquisition. West Point, Chiswick High Road, London, W, acquired at a £5m valuation, has since been sold for £6.225m; a lease has been signed with a tenant for the entire office accommodation amounting to 53,000 sq ft of Thoresen House, Shaftesbury Avenue, W, and a first letting has been achieved at Stockley House, Wilton Road, SW.

Referring to the purchase of a 26.5 per cent stake in Stock Conversion and Investment Trust, Mr Peet says he is confident that this investment will benefit the company.

Progress has also been made on the two property developments at Salisbury Square, EC, and Stockley Park, referred to in the last annual report.

Construction work is now well in hand and terms have been agreed for leases over the whole of the development at Salisbury Square. At Stockley Park, significant progress has been made with the earthworks and construction of the first phase of the building works is expected to start on schedule later in the year.

Manufacturing director resigns from Microvitec

BY TERRY POVEY

MR PHILIP ELLISON has resigned as manufacturing director of Microvitec, the Bradford-based colour monitor manufacturers.

Last week the company announced that unexpectedly high start-up costs would keep first-half profits to about £500,000, instead of the £2m expected by the market. The departure of Mr Brian Tasker, finance director, was also announced.

The shares of the USM-quoted company closed at 35p yesterday, compared with the 180p price when it came to the market last year.

Mr Ellison has been involved with Microvitec since it was started by Mr Anthony Martinez in 1979. He has been a member of the board since 1981. In February, Mr Ellison was appointed managing director of the monitor manufacturing division.

Microvitec has suffered a rapid erosion of its margins and remains highly dependent on monitor sales, 90 per cent of group turnover, despite attempts at diversification.

In the first half of 1983, pre-tax margins were almost 24 per cent but dropped to 14.6 per cent in the second half of 1984. On the figures given by Mr Martinez last week, the margin for the first half of this year could be down to as low as 5 per cent.

Industry analysts say that the manufacturing of monitors has become increasingly competitive, with major television makers entering the market. Also the discounting war in the micro computer market, the main end users of monitors, will have had an impact on margins, they add.

Last week Mr Martinez said that Microvitec's problems were only temporary and that given the company's strong cash position it would not need to seek outside financial assistance.

Cement Roadstone cancels deal

By David Goodhart

Cement-Roadstone Holdings, Ireland's largest industrial company, yesterday announced a surprise cancellation of its planned acquisition of the privately owned West German DIY retailer, the Knechtel Group.

The deal, which was announced on May 9, was to have involved a £5.45m cash payment. CRH's share price remained unchanged on 74p.

CRH simply stated that: "Completion was subject to certain conditions, but, as some of these conditions have not been fulfilled, the contract will not now be completed."

Mr Harry Sheridan, the general finance manager, would not expound on the statement except to say that the company is always extremely careful about acquisitions. He added that it remained part of the company's long-term strategy to look for suitable acquisitions in Germany.

Target Group's mixed pattern of business

A MIXED pattern of new business was experienced by the Target Group in the first six months of this year.

The life and pensions arm, Target Life, pushed new annual premiums up by nearly 60 per cent from £12.3m to £19.6m, reflecting buoyant pension sales ahead of the Budget. New annual premiums more than doubled to £16.7m and more than offset a sales slump on life business where new annual premiums fell a third to £2.9m.

Single premiums sales showed a 6 per cent improvement from £41m to £43.5m, and a 56 per cent rise in pension sales to £17.9m covered a 13 per cent drop in life bond sales to £25.6m against £28.5m.

Target Life claims to be a major force in the linked personal pensions market with an 8.8 per cent share of annual premiums and 9.9 per cent of single premiums.

However, the unit trust operation Target Trust Managers suffered a 10 per cent drop in net unit sales over the half-year to £9.4m. The company has already launched a co-ordinated marketing campaign aimed at developing its unit trust arm.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Fri Aug 2 1985 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Thur Aug 1 Index No.	Wed July 31 Index No.	Tues July 30 Index No.	Year ago (approx.) Index No.	1985 High		1985 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (205)	515.18	+0.6	10.98	4.38	11.46	10.16	511.88	500.83	495.86	494.15	577.15	22/1	483.30	25/7	577.15	22/1/85	50.71	13/12/74
2	Building Materials (22)	533.09	−0.4	12.45	4.97	9.88	11.86	535.06	533.66	535.30	452.72	546.84	21/5	472.11	26/2	546.84	21/5/85	44.27	11/12/74
3	Contracting, Construction (29)	821.08	—	12.21	5.03	10.57	17.10	821.21	814.84	815.85	646.11	821.21	1/8	684.17	6/3	831.09	15/3/83	71.48	2/12/74
4	Electricals (14)	1319.48	−0.8	12.12	5.59	10.46	31.82	1330.02	1317.60	1320.16	1509.43	1701.64	22/1	1289.36	10/7	1909.93	3/6/83	84.71	25/6/62
5	Electronics (38)	1444.63	+1.2	10.49	3.36	12.55	26.92	1427.28	1371.26	1331.41	1786.31	1977.60	9/1	1260.78	3/7	2049.85	13/11/84	1260.78	3/7/85
6	Mechanical Engineering (62)	279.62	+1.6	11.70	5.03	10.41	5.50	275.23	271.43	271.51	246.52	316.14	13/5	263.85	25/7	316.14	13/5/85	45.43	5/1/75
8	Metals and Metal Forming (7)	183.83	+0.1	13.50	8.46	9.31	4.13	183.66	181.11	182.33	185.57	202.58	5/6	165.08	14/1	209.74	13/3/84	49.65	6/1/75
9	Motors (16)	156.14	+0.9	13.82	5.36	8.99	3.20	154.80	151.70	151.71	120.91	175.89	15/3	142.57	3/1	175.89	15/3/85	19.91	6/1/75
10	Other Industrial Materials (17)	903.22	+0.2	7.76	3.70	15.60	15.74	901.64	879.49	869.18	637.55	1023.91	6/6	828.60	3/1	1023.91	6/6/85	277.55	15/1/81
21	CONSUMER GROUP (177)	659.66	−0.2	9.70	3.96	12.80	10.70	661.24	648.84	647.93	505.28	683.36	5/6	604.96	3/1	683.36	5/6/85	61.41	13/12/74
22	Brewers and Distillers (24)	627.79	−0.4	11.20	4.55	11.29	9.46	630.06	620.67	618.58	508.63	630.06	1/8	550.86	3/1	630.06	1/8/85	69.47	13/12/74
25	Food Manufacturing (21)	486.88	−0.1	12.14	5.00	10.44	12.28	487.28	479.48	479.90	386.98	513.86	12/3	471.62	25/7	513.86	12/3/85	59.67	11/12/74
26	Food Retailing (14)	1590.73	−0.6	5.67	2.62	23.32	13.12	1600.84	1589.90	1592.71	1157.41	1662.70	5/6	1400.36	1/3	1662.70	5/6/85	54.25	11/12/74
27	Health and Household Products (9)	1054.63	+0.4	6.37	2.80	18.41	11.26	1050.46	1019.97	1017.07	864.84	1124.51	5/6	980.65	11/4	1124.51	5/6/85	175.38	28/5/80
29	Leisure (22)	617.63	—	9.13	5.31	14.33	13.82	617.79	611.59	606.61	562.73	719.49	22/1	590.69	12/7	719.49	22/1/85	54.83	9/1/75
32	Newspapers, Publishing (12)	1745.70	—	8.81	4.45	14.61	37.18	1745.78	1745.43	1741.57	1243.99	1825.11	5/6	1446.15	3/1	1825.11	5/6/85	55.08	6/1/75
33	Packaging and Paper (13)	336.49	−0.1	10.52	4.42	11.28	6.10	336.91	333.54	330.88	233.09	344.58	12/6	286.36	3/1	344.58	12/6/85	43.46	6/1/75
34	Stores (42)	662.53	−0.2	7.67	3.25	17.66	9.30	664.07	652.82	655.55	436.72	664.07	1/8	529.47	19/2	664.07	1/8/85	52.63	6/1/75
35	Textiles (17)	307.21	−0.5	15.40	5.23	7.37	7.90	308.90	302.11	301.90	259.29	341.97	11/3	293.07	3/1	341.97	11/3/85	62.66	11/12/74
36	Tobaccos (3)	808.59	−1.0	17.98	5.32	6.27	17.44	816.67	783.38	772.64	659.44	1010.69	8/2	767.49	25/7	1010.69	6/2/85	94.34	13/6/62
41	OTHER GROUPS (101)	676.50	−0.6	9.43	4.18	13.73	11.49	680.90	666.02	656.89	444.93	722.57	15/5	605.99	3/1	722.57	15/5/85	58.63	6/1/75
42	Chemicals (19)	685.99	−0.4	14.33	5.52	9.23	17.18	688.96	668.74	664.16	592.02	832.26	22/2	657.14	25/7	832.26	22/2/85	71.20	1/12/74
44	Office Equipment (4)	194.76	−1.2	8.21	4.52	14.54	3.64	197.17	193.14	188.14	131.82	197.17	1/8	154.76	3/1	246.06	1/9/72	45.34	2/1/75
45	Shipping and Transport (12)	1127.57	−0.8	8.77	4.69	14.16	25.71	1134.44	1110.63	1119.80	838.32	1201.81	23/5	958.08	3/1	1201.81	23/5/85	90.80	29/6/62
46	Miscellaneous (64)	820.09	−8.2	7.70	3.87	15.85	18.87	822.09	809.55	800.02	617.69	899.77	3/6	787.88	26/7	899.77	3/6/85	60.39	6/7/75
48	Telephone Networks (2)	879.08	−0.9	8.51	3.69	15.70	13.20	887.49	867.36	849.82	0.0	932.01	15/5	701.92	3/1	932.01	15/5/85	517.92	30/11/84
49	INDUSTRIAL GROUP (483)	633.34	−0.1	9.94	4.12	12.67	10.95	634.21	621.34	617.10	497.84	666.95	4/6	599.75	5/1	666.95	4/6/85	59.01	13/12/74
51	Oils (17)	1126.94	−0.9	16.60	7.45	7.41	38.38	1136.89	1126.25	1113.49	1005.90	1239.75	15/2	1042.21	3/1	1239.75	15/2/85	87.23	29/5/62
59	500 SHARE INDEX (500)	674.85	−0.2	10.81	4.56	11.59	13.16	676.44	663.69	658.76	540.34	707.87	5/6	636.98	5/1	707.87	5/6/85	63.49	13/12/74
61	FINANCIAL GROUP (115)	469.54	−0.4	—	5.07	—	10.08	471.32	464.96	466.19	380.09	478.74	15/5	430.18	4/1	478.74	15/5/85	55.88	13/12/74
62	Banks (6)	476.02	−0.4	16.22	6.15	8.80	11.71	478.07	470.88	472.71	369.41	503.51	8/7	420.58	15/4	503.51	8/7/85	62.44	12/12/74
65	Insurance (Life) (9)	721.78	−0.5	—	4.50	—	14.71	725.11	717.97	719.65	518.79	770.78	11/6	580.95	4/1	770.78	11/6/85	44.88	2/1/75
66	Insurance (Composite) (7)	362.97	−0.7	—	5.38	—	8.53	365.49	361.95	364.47	278.86	369.61	19/6	303.16	25/2	369.61	19/6/85	43.96	13/12/74
67	Insurance (Brokers) (7)	1066.54	+0.1	8.80	3.88	15.19	20.10	1065.37	1027.00	1034.51	797.22	1248.70	15/3	1009.26	25/7	1248.70	15/3/85	65.86	16/12/74
68	Merchant Banks (11)	227.13	+0.2	—	4.85	—	4.92	226.69	224.97	225.24	195.78	248.76	16/1	220.65	3/1	278.57	1/5/72	31.21	7/1/75
69	Property (50)	633.35	+0.2	5.86	3.75	22.91	9.62	632.40	625.15	625.39	578.92	653.36	13/5	585.78	10/7	653.36	13/5/85	56.01	20/4/65
70	Other Financial (25)	266.31	−1.2	9.25	6.12	13.13	7.37	269.49	265.41	263.88	247.02	296.92	6/2	261.32	26/7	303.18	18/5/72	33.29	17/12/74
71	Investment Trusts (107)	571.48	+1.4	—	3.86	—	9.56	563.65	557.78	558.92	491.77	635.62	7/3	557.78	31/7	635.62	7/3/85	71.12	13/12/74
81	Mining Finance (3)	243.47	+0.4	13.33	6.29	8.70	5.36	242.48	245.56	250.82	279.64	311.08	15/4	242.48	1/8	337.57	10/4/84	66.31	30/9/74
91	Overseas Traders (14)	606.73	+0.3	12.47	6.51	9.64	20.59	605.11	604.20	606.19	543.07	687.15	22/1	601.54	26/7	687.15	22/1/85	97.37	6/1/75
99	ALL-SHARE INDEX (739)	615.95	−0.2	—	4.64	—	12.21	616.90	606.45	603.46	499.43	644.21	5/6	581.88	5/1	644.21	5/6/85	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Aug 1	July 31	July 30	July 29	July 26	Year ago	1985 High		1985 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX	1280.4	−6.8	1284.6	1280.4	1287.2	1261.7	1252.3	1248.9	1239.7	1065.0	1342.4	15/5	1206.1	3/1	1342.4	15/5/85	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Aug 2	Day's change %	Thur Aug 1	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	118.68	−0.06	118.76	—	6.84
2	5-15 years	131.52	−0.23	131.83	—	8.31
3	Over 15 years	138.47	−0.25	138.81	—	6.87
4	Irredeemables	150.70	−0.36	151.25	—	7.27
5	All stocks	129.83	−0.18	130.06	—	7.65
6	Debentures & Loans	112.21	−0.48	112.75	—	6.08
7	Preference	79.77	—	79.77	—	3.64
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	110.74	−0.02	110.76	—	1.95

	AVERAGE GROSS REDEMPTION YIELDS		Fri Aug 2	Thur Aug 1	Year ago (approx.)	1985 Highs		1985 Lows	
	British Government								
1	Low	5 years	10.15	10.10	11.63	11.56	28/1	9.94	29/7
2	Coupons	15 years	10.28	10.23	11.15	11.20	28/1	10.08	29/7
3		25 years	10.28	10.24	10.48	10.72	29/1	10.03	2/1
4	Medium	5 years	11.02	10.94	12.57	12.39	28/1	10.74	30/7
5	Coupons	15 years	10.64	10.59	11.54	11.63	28/1	10.42	29/7
6		25 years	10.21	10.18	10.72	10.97	29/1	10.08	29/7
7	High	5 years	11.11	11.05	12.56	12.53	28/1	10.87	30/7
8	Coupons	15 years	10.78	10.73	11.76	11.76	28/1	10.57	29/7
9		25 years	10.29	10.25	10.85	11.03	29/1	10.09	29/7
10	Irredeemables†		10.07	10.02	10.35	10.49	28/1	9.89	12/7
11	Debs &	5 years	11.60	11.47	12.79	12.63	29/1	11.36	30/7
12	Loans	15 years	11.46	11.37	12.72	12.37	29/1	11.26	30/7
13		25 years	11.32	11.26	12.66	12.37	29/1	11.18	30/7
14	Preference†		12.43	12.43	13.32	13.14	29/1	12.29	22/7
15	Inflation rate	5%	3.63	3.62	3.91	3.72	16/7	3.11	11/3
16		10%	3.44	3.43	3.73	3.51	16/7	2.94	11/3

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Health/Household Products	30/12/77	261.77	Mining Finance	29/12/67	100.00
Other Groups	31/12/74	63.75	All Other	10/04/62	100.00
Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Mechanical Engineering	31/12/71	153.84	Do. Index-linked	30/04/82	100.00
Office Equipment	16/01/70	162.74	Debs. & Loans	31/12/77	100.00
Industrial Group	31/12/70	128.20	Preference	31/12/77	76.72
Other Financial	31/12/70	128.06	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p.

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COMPANY NEWS IN BRIEF

BARCLAYS Merchant Bank, lead underwriter to the Tipbook offer for sale which flopped earlier this week, has ended up with 13.3 per cent of the company. Of the 5.5m shares being offered, BMB now holds 1.9m, which it plans to keep as an investment. The bank was expected to make such an announcement following the rough passage of the issue, which was first postponed and then suffered from a mistake in the prospectus. Dealings in the shares begin on Monday.

PHILLIPS PATENTS shares rose 16p yesterday to close at 58p on the news that Bremner, the general warehouse concern, has increased its stake in the footwear components company to 13.12 per cent. Phillips, which suffered a prolonged strike at its Manchester factory last year, reported a loss before tax of £177,200 for the half-year ended September 1, 1984.

C. S. C. INVESTMENT Trust raised net asset value to 152.01p (134.81p) at June 30, 1985. Gross income for the half year was £142,986 (£118,014). After interest, expenses and tax, net revenue came to £56,638 (£42,487). Earnings per 25p share were 3.44p (2.58p) and the interim dividend is 3.6p (3.5p) net. Investments, including deposits, were valued at £3.69m (£3.57m).

SCAPA GROUP'S agreed offer for United Wire Group has received acceptances in respect of 6,180,044 ordinary 176.04 per cent) and 36,414 preferred (56.02 per cent) and been declared unconditional.

PHICOM has announced that its U.S. subsidiary Shandon Southern Instruments has accepted an offer from National Business Systems for its holding of 180,000 shares in Card Technology Corporation, representing 17 per cent of CTC's common stock. The shares and cash proceeds are around $1.57m (£1.1m).

LONDON AND GARTMORE INVESTMENT TRUST increased net asset value to 291p per 50p share at June 30, 1985, against 270p a year earlier. Gross income for the 12 months increased to £[illegible]04,108 (£656,636), while after-tax available income came to £1[illegible]538 (£111,573). Earnings per share were 3.21p (2.63p) and the dividend is raised to 1.75p (1.5p) net plus a special 0.75p.

AFRICAN LAKES Corporation has agreed terms for the purchase of the John Butt Automobile branches in Southampton and Portsmouth. The purchase, for a total consideration of £4[illegible]000 to be satisfied by issue of 450,000 ordinary ALC shares, includes goodwill, certain fixed [illegible] assets, the Honda franchises [illegible] and a 25-year lease on the [illegible]

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Abbey Panels .... int.	1	Sept 16	0.75	—	1.5
Glasgow St'kholders int.	0.85	Aug 16	0.75	—	2.05
Lloyds Bank .... int.	7.5	Oct 1	6.3*	—	17.67*
London & Gartmore ...	§1.75	—	1.5	1.75	1.5
Phoenix Timber	1.5	—	2.5	3	4
Wiggins Group	Nil	—	Nil	Nil	1.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Plus special 0.75p.

INTERNATIONAL COMPANIES and FINANCE

Banca Commerciale in placing and L420bn rights

BY ALAN FRIEDMAN IN MILAN

IRI, Italy's state holding group, has given the green light to the placement of Lire 223bn ($118m) worth of shares in Banca Commerciale Italiano (BCI), the second largest state bank, with investors in Italy and abroad.

The placement which represents 12 per cent of BCI's shares, will be accomplished by offering half of the shares to British and European investors—with S. G. Warburg spearheading the operation—and the rest in Italy through Mediobanca, the merchant bank.

The partial privatisation of the Milan-based bank represents one of the larger such moves since the concept of partial privatisation caught on in Italy during the past year.

Saipem, the oil pipelaying and drilling company controlled by the ENI state energy group, floated 20 per cent of its shares on the Milan bourse last year and realised L120bn. Sirti, the IRI-controlled state telecommunications construction company, recently sold more than 40 per cent of its shares on the bourse for L200bn.

IRI also has cleared the way for Banca Commerciale to launch a L420bn rights issue, consisting of the offer of 42m new shares—one for every two already held — priced at L10,000 each. The issue, will probably be launched towards the end of 1985. It will increase BCI's capital from L420bn to L630bn.

It was also learned yesterday that IRI has reduced its stake in BCI from almost 88 per cent last year to 73 per cent by gradually selling shares on the bourse. This means that IRI has probably realised something like $100m in the past six months. After the 12 per cent placement is complete it will hold 61 per cent of BCI. It has also emerged that IRI may later consider a further dilution of its stake in BCI, towards the 51 per cent level.

The BCI partial privatisation may be followed by a similar operation for Banco di Roma, another IRI-controlled state bank which is also planning a major rights issue. Both exercises are designed to realise funds for IRI in order to reduce its dependence upon state handouts.

Investor group set for control of SMH

By John Wicks in Zurich

A GROUP of Swiss investors, headed by Mr Nicolas Hayek, is likely to acquire control of SMH, the country's largest watch manufacturer, within the next two to three months.

Last January, the consortium purchased a 7 per cent stake in SMH—the former Asuag-SSIH group—with an option to increase this to 51 per cent within two years.

In an interview with the business weekly Schweizerische Handelszeitung, Mr Hayek said there was "verbal agreement in principle" to go ahead with the transaction, and hinted this would come about after the summer holidays.

He explained the decision to move faster than originally planned with the rise of over-the-counter prices for SMH shares. These are currently running at SwFr 84 ($36) and 205 for shares of SwFr 20 and 100 nominal value, respectively.

Mr Hayek, who helped engineer the merger of the former Asuag and SSIH groups in 1983 after a SwFr 650m rescue, says he is the biggest single shareholder in SMH. Other members of the investors' group are industrialists, including Dr Stephan Schmidheiny, whose interests include the Eternit concern.

At the same time, SMH has failed in an attempt to acquire Timesa Microelectronics, a non-watch components manufacturer based in Biasca and currently the subject of bankruptcy proceedings.

The workforce of Timesa has, instead, been taken over by Sitesa, a company recently formed by Mr Justus Dornier, a Swiss-based member of the family which recently sold control of the Dornier aircraft company to Daimler-Benz.

Sitesa intends to make a bid to the liquidators of Timesa for the company's southern Swiss plant.

Gulf Canada sale finally goes ahead

BY ROBERT GIBBENS IN MONTREAL

OLYMPIA & YORK Developments, the Canada property and resource group owned by the Reichmann family of Toronto, has finally bought Chevron's 60.2 per cent controlling stake in Gulf Canada for C$2.8bn (US$2.07bn), slightly less than the $3bn offer that fell through two weeks ago.

Chevron wanted to sell Gulf Canada, the country's fourth largest integrated oil company, to help reduce debt assumed earlier in the takeover of the parent, Gulf Corp of Pittsburgh.

In the new deal, agreed early yesterday, O & Y will pay Chevron C$20.35 a share, or C$2.3bn, for 49.9 per cent of Gulf Canada, and take an option for a further 10.3 per cent at $23 a share for around $500m.

In a separate step Gulf Canada will buy Olympia's 92 per cent holding in Abitibi-Price, the world's biggest newsprint producer, at C$21 a share, for a total of C$1.2bn and make an offer for the minority holding at the same price. This will help finance the Reichmanns' acquisition of Gulf Canada shares.

Minority shareholders of Gulf Canada will be able to tender their share in the company at C$20.80 a share.

Mr Paul Reichmann, Olympia's executive vice president, said that after exchange the total price paid to Chevron would be about the same in U.S. dollars as two weeks ago.

Chevron and O & Y never gave reasons for collapse of the deal two weeks ago, but analysts speculated it was due to weakening world oil prices and potential adverse tax rulings. Observers had also been predicting that Olympia & York would return with a lower bid.

Mr Reichmann said soon after the initial deal fell through that "a number of things that had to fit together did not, and we came to a point where we were not sure we could do it in time (to meet Chevron's deadline)."

The Canadian government's denial that it was to blame for the failure of the proposed takeover had failed to halt speculation that key members of the government had acted as a crucial factor in persuading the Reichmanns to withdraw the bid.

One element in the initial plan that had caused considerable controversy, particularly in Western Canada, was the inclusion in the proposed transaction of state-owned Petro-Canada, which had planned to buy the bulk of Gulf's downstream operations to help O & Y pay down incurred in the deal.

In the second quarter of 1985, Gulf Canada reported net profits of C$74m.

Petro-Canada is expected to bid later for some Gulf Canada refining and marketing assets, but worth considerably less than the C$1.8bn acquisition planned under the original Reichmann offer which ended two weeks ago.

A$16m six month loss at Comalco

By Lachlan Drummond in Sydney

COMALCO, THE Australian integrated aluminium producer in which CRA has a 61.7 per cent shareholding, provided stark evidence yesterday of the continued worldwide depression in the industry when it reported a loss of A$16.7m (US$12.1m) for the first six months of 1985, compared to a A$25.2m net profit in the same period of 1984.

Interim dividend has been omitted "in view of the unpredictability of the world aluminium market." Last year a 2.5 cents a share dividend was paid.

After including Martin Marietta's aluminium assets, acquired for A$410m in January, and including the effect of the devaluation of the Australian dollar, turnover jumped from A$384.3m to A$629.8m.

However the devaluation was a two-edged sword for Comalco; not only did the cost of servicing foreign debt increase, but the group also carried charges for unrealised exchanges losses.

The half year loss was suffered after a A$46.4m (A$16.1m last year) provision for unrealised losses, as well as a sharply increased net interest charge of A$63.1m, compared with a $26.6m.

The loss was also taken after a A$12.6m increase to A$52.1m in depreciation, while the tax charge was A$8.97m compared with A$19.2m, reflecting the discrepancy between Comalco's version of inflation accounting and the taxman's view.

Both the former Martin Marietta asset and the half share in Showa Aluminium of Japan incurred losses in the half year. Martin Marietta's Kentucky rolling mill continued in profit, but the Washington State smelter more than offset these earnings. Showa contributed A$8.1m to the group loss.

Canada Trustco receives offer

BY OUR MONTREAL CORRESPONDENT

GENSTAR, a major Canadian financial services, property and construction group, is making a C$44 a share offer for 12m shares of Canada Trustco Mortgage Company, one of the country's two largest trust companies.

Canada Trustco has assets of C$12.7bn (U.S.$9.38bn) and, along with other trust companies, takes deposits while specialising in a wide range of personal services including estate and agency transactions. Current deregulation proposals would make trust companies more like chartered banks with extended powers.

Genstar said it already owns almost 10 per cent of Canada Trustco through its subsidiary Genstar Acquisition, and would make the general offer of C$44 a share through the Toronto and Montreal exchanges to Canadian resident stockholders of Canada Trustco.

If successful, Genstar said the offer would bring its total holdings to 50.1 per cent of Canada Trustco. The bank finance to back the C$528m offer is in place, it said. Then it would propose a merger of its fully-owned Canada Permanent Mortgage Company with Canada Trustco.

This would make a unit with assets of more than C$20bn, larger than the Royal Trust, the other big Canadian trust company.

About 27 per cent of Canada Trustco is held by Manufacturers Life Insurance Company which has not yet made its attitude known. But Canada Trustco is the last widely held trust company and Mr Mervyn Lahn, its president, has said that it was a "sitting duck for takeover."

Trading in Canada Trustco shares was halted all Thursday with the last transaction at around $38.50. Analysts say that Canada Trustco and Canada Permanent would be a logical combination but a counter bid for Canada Trustco control is not ruled out.

Japanese oil refiners in merger deal

By Yoko Shibata in Tokyo

MARUZEN OIL and Daikyo Oil, two of Japan's largest oil refiners, have announced an agreement to merge on April 1 next year. Cosmo Oil, a refining company jointly owned by Maruzen and Daikyo, will also be included in the merged company and will give its name to what is expected to be the country's third biggest oil group.

The Ministry of International Trade and Industry (MITI) has been pressing for a restructuring of the industry for some time as a way of eliminating excess capacity. Last year it encouraged a merger between Showa Oil and Shell Sekiyu.

Falling demand and declining prices have deepened the oil industry's difficulties, which began with the 1973 oil crisis. Maruzen reported a Y9.2bn ($39m) loss and Daikyo a Y8.7bn loss at the pre-tax level in the year to last March.

The newly constituted Cosmo Oil will have an estimated 13 per cent of the domestic petroleum products market and will be capitalised at Y28bn. Its president will be Mr Yoshio Nakayama, president of Daikyo.

Nippon Kokan, the Japanese steel producer and shipbuilder, has agreed with Marystown Shipyard, the largest shipbuilder in Newfoundland, Canada, to exchange design know-how, and jointly develop and produce new ships and offshore structures, Kyodo reports from Tokyo.

Way opened for N.W. Shelf

FORMAL AGREEMENTS were signed yesterday which open the way to full development of Australia's North West Shelf Project, which is expected to earn the country as much as A$50bn (U.S.$36.5bn) over the next 20 years from exports of liquid natural gas to Japan.

The project was conceived and planned on the Australian side by Woodside Petroleum, now owned by Shell and Broken Hill Proprietary, which together with their partners will carry out the A$9.8bn development.

Cigna shows operating profits

BY WILLIAM HALL IN NEW YORK

A SHARP drop in the losses on its property and casualty insurance business enabled Cigna, the big Philadelphia-based insurance company, to report yesterday that it was once again operating profitably.

The group achieved second quarter operating income of $43.4m, against a $11.1m loss in the same period last year, and a $26m loss in the first quarter before crediting investment gains. Including these gains the company earned 39 cents a share in the second quarter compared with a loss of 14 cents.

Insurance premiums in the latest three months rose marginally to $2.7bn and net investment income was up by $124m at $872.4m. Losses on the property and casualty side of Cigna's business fell from $128.1m to $61.9m.

Mr Robert Kilpatrick, Cigna's chief executive, says that although the group's property and casualty results for the first six months remain unsatisfactory, he is optimistic that improvements will continue.

"The property and casualty segment's pre-tax operating loss improved by $160.5m when compared with the first six months of 1984 reflecting a significant improvement in the combined ratio," he said.

Loss and loss adjustment expenses in the latest six months fell from 96.3 per cent to 89 per cent and underwriting expenses were down from 35.3 per cent to 33.1 per cent with the result that the combined ratio, a key indicator of an insurance company's financial health, improved from 131.6 per cent to 122.1 per cent. Ideally it should be 100 per cent or less.

Nomura applies to deal in U.S.

TOKYO — Nomura Securities International, the U.S. subsidiary of Nomura Securities Company, has applied to the Federal Reserve Bank of New York to become a primary dealer in U.S. securities.

The company has written to all 36 primary dealers asking for agreement to the plan.

Japanese buying of foreign securities increased to a record $27.10bn in June from the previous record of $18.10bn a month earlier.

Three other major Japanese securities houses expected to seek primary dealership in the U.S. are Daiwa Securities Co, Nikko Securities Co and Yamaichi Securities Co.
Reuter

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$320	53	6.50	..			..	$321.70
GOLD C	$340	10	0.80 a	12	a	1a	17	"
GOLD P	$300	-	—	5	3.80 2	..	—	"
GOLD P	$320	1	4	20	9	..	—	"
		Sept.		Dec.		March		
SILVER C	$650	173	13 2	—	..	9	60	$623
SILVER C	$700	...	..	56	17	—	—	"
SILVER P	$600	97	12	—	—	..	—	"
SILVER P	$700	..	..	10	25	—	—	"
$/FL C	Fl.315	10	7.30	10	12 A	..	..	Fl.317.25
$/FL C	Fl.320	114	5.50 A	23	2	..	—	"
$/FL C	Fl.325	63	3.20	..	—	..	—	"
$/FL C	Fl.330	25	2.20	1	6.30	25	7.50	"
$/FL C	Fl.335	42	1.50	—	—	30	6.30	"
$/FL C	Fl.340	26	0.80	—	—	—	—	"
$/FL C	Fl.385	..	—	10	1.20 A	—	—	"
$/FL P	Fl.315	35	6.80	43	12.20	..	—	"
$/FL P	Fl.320	50	2	a	14.20	2	20	"
$/FL P	Fl.330	23	15.50 2	30	20.50 2	..	..	"
$/FL P	Fl.335	18	19.50	6	24.20	5	27.50	"
$/FL P	Fl.340	5	24	—	..	..	—	"
$/FL P	Fl.345	..	—	5	32.50	—	—	"
£/$ C	$130	—	..	30	9.20 A	..	—	$157.30
£/$ C	$140	75	1.80 A	—	—	—	—	"
£/$ P	$125	10	0.30 B	4	2.30	..	..	"
£/$ P	$130	12	1.30	21	3.20	—	..	"
£/$ P	$135	—	—	22	2	—	..	"
£/$ P	$140	—	—	203	2.50	..	—	"
		Oct.		Jan.		Apr.		
ABN C	Fl.520	104	6.40	6	12	17	12	Fl.503.50
ABN P	Fl.480	27	5.80	103	7.10	..	—	"
AEGN C	Fl.100	67	4.50	109	7.70	3	10	Fl.100.80
AEGN P	Fl.100	53	3.20	7	4	16	6	"
AH C	Fl.250	77	5.10	7	9.50	—	—	Fl.241
AH P	Fl.250	10	11					"
AKZO C	Fl.150	203	3.80	740	6.40	188	8.70	Fl.124.60
AKZO P	Fl.120	274	2.40	248	4	60	5	"
AMRO C	Fl.90	21	2.60	22	4.80 A	5	6	Fl.27.20
AMRO P	Fl.85	93	5	..			..	"
GIST C	Fl.220	239	2.50	100	11.80 B	28	16	Fl.217
GIST P	Fl.210	32	4.80	4	7.20	..	—	"
HEIN C	Fl.150	76	3.60	36	6	4	2	Fl.153
HEIN P	Fl.160	3	7.70	-		50	9	"
HOOG C	Fl.65	609	5	88	6.50	41	2.50	Fl.66.80
HOOG P	Fl.65	177	2	66	3 B	..	..	"
KLM C	Fl.60	218	4	229	6.10	115	7.50 A	Fl.62.70
KLM P	Fl.60	226	2	19	3.20	1	5.30	"
NEDL C	Fl.180	298	11	11	17	3	17.50 B	Fl.184
NEDL P	Fl.190	22	2.30 B	6	11.70	—	—	"
NATN C	Fl.80	363	1.40	36	3	—	—	Fl.76
NATN P	Fl.75	36	2.10	17	2.50	1	4.20	"
PETR C	Fr.5,500	5	380	—	..	10	600	Fr.5750
PHIL C	Fl.50	176	1.60	71	2.20	52	3.90	Fl.47.70
PHIL P	Fl.45	149	1.20	46	1.90	11	2.30	"
RD C	Fl.210	344	1.60	35	4	..	—	Fl.123.10
RD P	Fl.200	606	12	100	12.50	5	15	"
ROBE C	Fl.77.50	7	1.30	—	—	6	3.10	Fl.75.60
ROBE P	Fl.77.50	..	-	6	3.40	—	—	"
UNIL C	Fl.360	100	6.60	71	10	—	—	Fl.345
UNIL P	Fl.340	12	4.70	18	8.80 B	8	10.50	"

TOTAL VOLUME IN CONTRACTS: 21,401

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
B.P. (*531)	460	85	..	—	5	..	..
	500	50	65	73	15	20	23
	550	16	33	42	33	40	45
	600	7	14	—	20	85	—
Cons. Gold (*412)	420	23	38	45	22	29	37
	460	15	24	28	52	55	67
	500	6	12	16	90	92	27
	550	2½	7	..	140	140	—
Courtaulds (*128)	120	16	20	22	3	5	7
	130	9	13	16	a	11	13
	140	6	a	—	15	18	—
	160	3	4	—	34	36	—
Com. Union (*209)	180	35	..	—	3	..	—
	200	19	26	33	a	11	14
	220	10	17	23	16	12	23
	240	4	10	—	36	3a	..
G.E.C. (*190)	160	32	40	46	2	4	6
	180	16	24	32	6	8	14
	200	7	10	—	14	18	—
	220	2	—	—	32		--
Grand Met. (*313)	280	38	45	60	2	5	9
	300	23	22	35	9	13	17
	330	7	13	12	25	37	30
I.C.I. (*682)	650	55	67	77	1a	25	30
	700	12	35	45	3a	47	57
	750	6	17	—	22	25	..
	800	2	8	..	130	130	..
Land Sec. (*222)	260	52	43	47	3	4	6
	280	20	27	35	6	a	11
	300	9	15	25	13	15	18
Marks & Sp. (*149)	120	63	..	—	1	—	..
	130	23	27	29	3	4	5
	140	15	18	22	5	8	10
	160	5	8	11	16	17	20
Shell Trans. (*688)	650	63	75	80	15	18	22
	700	38	48	55	27	30	38
	750	10	17	..	73	78	—
	800	2½	—	..	123	—	—
Traf'gar Hse (*372)	323	55			3		
	330	..	54	..	..	6	..
	355	31	..	—	8	—	..
	360	—	32	38	..	16	18
	383	11	—	..	18	..	..
	390	—	15	33	—	30	33

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
BAT Inds. (*308)	220	55	..	..	1	—	..
	280	35	45	63	3	8	12
	300	18	22	38	7	15	22
	330	5	12	18	30	35	42
	360	1½	5	—	55	57	...
Barclays (*389)	335	70	75		1	3	12
	360	..	..	67	..	..	—
	385	20	55	..	13	20	25
	390	..	—	45	..	—	45
	420		..	38	..		
Brit. Aero (*350)	300	55	60	70	2	6	9
	330	24	40	53	5	15	20
	360	9	22	32	20	25	30
Bt. Telecom (*194)	130	65	—	—	0½	—	—
	140	55	—	—	0½	—	—
	150	45	..	..	1	..	—
	160	35	42	46	1	2	4
	170	25	32	..	1	3	..
	180	16	22	28	2½	6	10
	200	3½	11	16	10	14	18
	220	1	5½	7	27	60	30
Imperial Gr. (*182)	160	25	31	37	1	4	8
	180	8	17	24	9	13	17
	200	2	6	12	32	25	24
LASMO (*246)	240	18	30	40	7	12	15
	260	7	22	38	18	22	22
	280	3	10	17	38	42	43
	[illegible]	[illegible]	4	.	50	60	..

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Lonrho (*155)	140	24	—	—	1½	..	—
	160	6	12	17	5	7½	9
	180	1	5	9	20	22	25
P. & O. (*362)	330	40	45	56	2	4	7
	360	12	27	33	6	15	18
	390	2	10	18	25	27	28
Racal (*160)	120	42	48	54	2	2	2
	130	62	38	44	2	3	4
	140	20	28	34	2	5	8
	160	3	15	20	2	12	15
	180	2	8	13	22	22	24
R.T.Z. (*537)	500	44	57	75	4	9	15
	550	12	35	47	22	30	37
	600	2½	12	27	67	70	72
Vaal Reefs (*$73)	20	1	5	7	11½	14½	16
	90	0½	2¼	4¾	21½	22½	24
	100	0½	1½	1¾	31½	32½	33
Ex 10% 1989 (*£27)	94	3	3⅛	3⅝	[illegible]	[illegible]	[illegible]
	96	1	1⅝	2¼	[illegible]	0⅝	0½
	98	0⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07 (*£110)	106	[illegible]	4½	[illegible]	[illegible]	[illegible]	0⅝
	108	2⅝	[illegible]	[illegible]	0¼	1	1⅜
	110	1⅛	2¼	2⅝	[illegible]	1¾	1¼
	112	0⅝	1¼	2	[illegible]	2½	[illegible]

Option		Calls Sept.	Calls Dec.	Calls Mar.	Puts Sept.	Puts Dec.	Puts Mar.
BTR (*336)	300	45	56	58	3	10	12
	325	20	35	—	2	12	..
	350	..	-	33	—	..	22
	550	9	20	—	28	35	—
Beecham (*341)	300	45	47	55	4	7	10
	330	20	28	37	12	15	20
	360	7	17	—	27	30	—
Bass (*552)	500	66	76	25	6	10	15
	550	30	32	42	22	30	32
	600	4	15	—	62	60	—
De Beers (*54.63)	460	35	55	60	36	46	60
	500	20	35	50	65	80	90
	550	2	17	38	106	115	120
GKN (*213)	200	31	27	34	5	8	10
	220	11	17	23	13	15	12
	240	3	8	14	29	32	34
Glaxo (*1292)	1200	115	145	170	13	25	32
	1300	45	70	90	45	60	65
Hanson (*200)	120	..	22	33	—	4	9
	182	24	—	—	4	—	.—
	125	13	21	—	2	12	—
	200	—	..	22	..	—	12
	215	6	10	—	19	21	—
Jaguar (*265)	240	30	40	46	5	2	11
	220	15	27	33	10	16	20
	280	9	19	22	21	24	12
	300	4	9	—	32	40	—
Tesco (*268)	236	32	45	..	2	6	..
	240	—	—	48	—	—	12
	255	22	22	..	6½	13	—
	260	—	—	33	..	—	18
£/$ (*157.25cts)	120	12.70	17.80	18.20	0.15	1.15	2.40
	125	12.00	13.20	14.20	0.30	2.50	5.80
	130	7.40	2.40	11.00	1.00	3.80	5.40
	135	4.00	6.50	8.10	2.60	6.00	7.50
	140	1.20	4.30	6.00	6.40	8.70	10.20
	145	0.20	3.70	4.40	9.20	12.00	13.90
$/DM (*55.41 cts)	32	3.70	4.05	4.45	0.10	0.12	0.35
	33	2.75	3.35	3.70	0.10	0.40	0.60
	34	1.95	2.55	3.05	0.20	0.60	0.80
	35	1.15	1.25	2.45	0.85	0.90	1.10
	36	0.60	1.35	1.25	1.00	1.30	1.50

Option		Calls Aug.	Calls Sep.	Calls Oct.	Calls Dec.	Puts Aug.	Puts Sep.	Puts Oct.	Puts Dec.
FT-SE Index (*1283)	1200	88	88	-	92	2	5	--	20
	1225	63	—	—	—	4	—	—	—
	1250	38	53	60	60	12	82	28	42
	1275	22	—	42	—	25	—	37	—
	1300	10	23	28	33	30	50	52	62
	1350	—	10	--	15	—	82	--	85

Aug. 2 Total Contracts 9,343. Calls 6,660. Puts 2,523.
*Underlying security price

NORTH AMERICAN QUARTERLIES

AMERICAN GENERAL
Insurance

Second quarter	1985 $	1985 $
Net profits	118.2m	98.9m
Net per share	0.77	3.08
Six months		
Net profits	239m	207.2m
Net per share	1.16	1.42

BENEFICIAL
Financial services

Second quarter	1985 $	1985 $
Net profits	28.6m	24.7m
Net per share	1.10	0.91
Six months		
Net profits	55.7m	50.2m
Net per share	2.14	1.89

COMPUTERVISION
CAD, CAM

Second quarter	1985 $	1985 $
Revenue	112.3m	133.6m
Net profits	†19.5m	11.9m
Net per share	†0.68	0.38
Six months		
Revenue	218.2m	255.4m
Net profits	†38.3m	21.8m
Net per share	†1.33	0.75

† Loss.

GENERAL RE
Reinsurance

Second quarter	1985 $	1985 $
Revenue	478.8m	404.7m
Op. net profits	31.5m	40.4m
Op. net per share	0.70	0.90
Six months		
Revenue	957.8m	779.3m
Op. net profits	59.9m	71.3m
Op. net per share	1.33	1.58

HNG/INTERNORTH
Energy

Second quarter	1985 $	1985 $
Revenue	2.37bn	1.09bn
Net profits	17.2m	50.7m
Net per share	0.11	0.87
Six months		
Revenue	5.27bn	2.72bn
Net profits	131m	184.2m
Net per share	2.43	3.60

HOUSEHOLD INTL.
Merchandising, finance

Second quarter	1985 $	1985 $
Revenue	2.17bn	2.04bn
Net profits	63.4m	65.8m
Net per share	1.12	1.20
Six months		
Revenue	4.18bn	3.33bn
Net profits	109.9m	110.1m
Net per share	1.92	1.86

MACLEAN HUNTER
Publishing

Second quarter	1985 C$	1985 C$
Revenue	247.2m	229.3m
Net profits	15.5m	15m
Net per share	0.21	0.21
Six months		
Revenue	471.6m	437.8m
Net profits	25.1m	22.3m
Net per share	0.34	0.31

ST. PAUL COS.
Insurance

Second quarter	1985 $	1985 $
Revenue	650.8m	567.1m
Op. net profits	19.6m	†40.6m
Op. net per share	0.98	†2.22
Six months		
Revenue	1.26bn	1.13bn
Op. net profits	22.2bn	†27.9m
Op. net per share	1.11	†1.89

† Loss.

SMITH INTERNATIONAL
Drilling equipment

Second quarter	1985 $	1985 $
Revenue	174.5m	179.9m
Net profits	39.8m	625,000
Net per share	1.75	0.03
Six months		
Revenue	349.5m	352.2m
Net profits	†50.1m	3.9m
Net per share	—	0.17

† Loss

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8DT   Telephone 01-621 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	123	Ass. Brit. Ind. Ord.	135	—	6.6	4.6	7.5	8.9
151	135	Ass. Brit. Ind. CULS	138	—	10.0	7.2	—	—
77	44	Airsprung Group	44	—	6.4	14.5	7.3	9.6
42	26	Armitage and Rhodes	36	—	2.9	8.1	4.5	7.5
159	108	Bardon Hill	157	−2	4.0	2.5	19.9	20.7
84	42	Bray Technologies	82	—	2.9	6.3	7.6	8.7
201	152	CCL Ordinary	159	—	12.0	7.5	3.9	3.7
152	105	CCL 11pc Conv. Pref.	105	—	15.7	14.9	—	—
130	70	Carborundum Ord.	128	—	4.9	3.8	6.3	9.9
90	83	Carborundum 7.5pc Pf.	90	—	10.7	11.9	—	—
73	48	Deborah Services	49	—	6.5	13.3	4.7	7.5
485	182	Frank Horsell	485	—	1.4	0.3	12.5	16.0
385	170	Frank Horsell Pr Ord 87	370	—	11.3	3.2	9.5	12.2
32	25	Frederick Parker	25	—	—	—	—	—
82	33	George Blair	68	—	—	—	4.6	9.1
50	20	Ind. Precision Castings	20	—	2.7	13.5	5.5	5.9
218	177	Isis Group	180	—	15.0	8.3	13.2	26.9
124	101	Jackson Group	106	—	5.5	5.2	7.0	7.0
285	213	James Burrough	237	—	15.0	6.2	7.5	7.5
94	82	James Burrough 9pc Pf.	94	—	12.9	13.7	—	—
95	71	John Howard and Co.	87	—	5.0	5.7	6.9	10.9
225	100	Linguaphone Ord	208	−2	—	—	7.6	8.0
100	82	Linguaphone 10.5pc Pf.	94	—	15.0	16.0	—	—
650	300	Minihouse Holding N.V.	575	—	6.2	1.2	25.1	23.9
120	31	Robert Jenkins	65	—	—	—	8.6	18.9
60	28	Scruttons "A"	30	—	—	—	—	7.7
92	61	Torday and Carlisle	75	—	5.0	6.7	3.2	6.9
444	225	Trevian Holdings	325	—	4.3	1.3	12.5	18.2
33	17	Unilock Holdings	33	—	2.1	6.4	9.0	8.8
109	21	Walter Alexander	109	+1	7.5	6.9	2.2	11.7
247	214	W. S. Yeates	214	—	17.4	8.1	6.0	10.5

Prices and details of services now available on Prestel, page 48146

WORLD STOCK MARKETS

WALL STREET

Easier trend despite job figures

MODEST LOSSES were recorded on Wall Street yesterday, shrugging off a report that unemployment was unchanged in July. Some analysts had been looking for an increase in the unemployment number.

By 1 pm the Dow Jones Industrial Average was down 5.15 at 1,350.47, for a net loss of 6.61 on the week, while the NYSE All Common index, at $110.79, shed 39 cents on the day and 56 cents on the week. Declines had a seven-five lead over advances, while the volume dropped 16.35m shares to 69.41m compared with 1 pm Thursday.

Before the Stock Market opened, the Labor Department said the U.S. civilian unemployment rate was 7.3 per cent in July, unchanged for the sixth month.

Robert J. Christian of Provident National Bank, Philadelphia, said "the economy is still trudging along at a low growth rate," although there are signs of an improvement. But he added that would mean higher interest rates.

Eastern Airlines led the actives, up $⅛ to $11⅜.

Texas Instruments dipped $2⅛ to $102—some analysts are worried about pressure on profit margins. A U.S. trade unit said makers of 64 kilobyte microchips were in danger of being injured by Japanese imports.

Middle South Utilities were off $⅛ to $11⅛ in active trading—it has been slipping since it lost a bid for a rate increase in Louisiana.

CBS dropped $5⅛ to $111—its partial tender offer was substantially oversubscribed.

Chevron were up $⅛ to $36⅜—a company spokesman said it is close to concluding a deal to sell a controlling interest in Gulf Canada to Olympia and York Developments.

THE AMERICAN SE Market Value index held unchanged at 234.45, for a loss of 1.12 on the week.

Wickes Co led the actives, up $⅛ to $4⅞.

Closing prices for North America were not available for this edition

CANADA

Stocks were mixed in sluggish trading at mid-session after losing modest early gains.

The Toronto Composite index firmed 0.7 to 2,795.6 and Golds 15.1 to 4,330.6, but Oil and Gas eased 7.1 to 3,187.0.

GERMANY

Sharp prices continued to recover for the second straight day as stocks benefited from West German Bond market gains and the dollar's sharp gains against the Deutsche mark.

Continuing gains in the West German Bond market pointed the way to declining Domestic interest rates, which boosted shares.

The market's hopes of lower interest rates were also supported by news that Deutsche Bundesbank accepted 28-day securities repurchase at an average 4.8 per cent interest rate, down from 4.95 per cent for the previous set of agreements.

Also, the dollar's sharp rise overnight against the Deutsche mark also gave a boost to export dependent issues, and spurred some buying by Foreign investors.

The Commerzbank index of 60 leading shares, set at midsession, rose 13.9 to 1,397.3.

The interest rate hopes failed to boost Bank stocks, however, which continue to be unsettled by worries about the safety of their credits to South America.

Declining interest rates, however, did boost high-yielding Utility issues, as RWE gained DM 4.00 and Veba rose DM 3.60.

Export related issues made strong gains, led by Motors paced by Daimler-Benz, which put on DM 11.70, followed by Volkswagen, up DM 5.80 and BMW up DM 3.70.

Among Electricals, Siemens rose DM 6.10 on the day boosted by a strong gain in its nine-month earnings.

SINGAPORE

Generally higher on short-covering and small buying in quiet trading.

The Straits Times Industrial index rose 5.25 to 771.21 and the SE All Share index 0.56 to 270.43. Turnover 8.8m (8.4m) units.

Sigma, up 14 cents at S$3.24, topped the active stocks with 713,000 units. Pahang gained 1½ cents to 60.5 cents on 323,000 units, and Federal Cables rose 1 cent to $1.05 on 216,000 units.

Hotels, Properties and Commodities were little changed.

MILAN

Share prices ended sharply higher in very active trading as the market reacted to news that a Government crisis had been avoided.

Brokers said the market gained ground as fears of a crisis within Italy's Coalition Government receded after Premier Bettino Craxi rejected the resignations of Italy's Treasury Minister and Central Bank Governor, and won a Vote of Confidence in Parliament Thursday night.

Market participants added that fairly strong Foreign buying interest also helped push the market higher.

AUSTRALIA

Share markets closed easier, with Resource stocks under selling pressure following overnight falls in gold bullion prices.

Australian Gold stocks fell across the board, despite support from offshore interests as the South African unrest continued.

The All Ordinaries index lost 3.2 to 936.6, the Gold index 12.7 to 1,045.5, Metals and Minerals 10.9 to 538.9, All Resources 6.0 to 605.5 and Oil and Gas 1.5 to 644.9. The All Industrials market firmed 0.5 to 1,364.0.

National turnover 68.5m shares outnumbering falls 225 to 183, valued at A$70.6m with rises

Brokers said offshore interest in leading Resource stocks declined as the U.S. dollar firmed.

Among Golds, Central Norseman fell 16 cents to A$9.50, Metana 15 cents to A$3.20, Poseidon 10 cents to A$4.25, Emperor 10 cents to A$4.20 and Peko 10 cents to A$4.65. But GMK rose 10 cents to A$11.40, Sons of Gwalia 7 cents to A$2.75 and Placer 80 cents to A$26.50, a cent to 87 cents in turnover

First Investors Securities shed of 4.2m shares, as Larry Adler's FAI Insurances sold its holding for a profit of 52 cents a share.

TOKYO

Share prices eased after a firm opening in active trading, as profit-taking undermined some Domestic Orientated issues.

The Nikkei Dow Market Average lost 12.38 to 12,525.96 after soaring 306.07 Thursday to the second sharpest single-day climb on record. Turnover 520m (430m) shares.

Most Internationally popular Electronics and Precision Instruments remained strong on Wall Street's overnight firmness, and some Biotechnologies improved after a shaky start. But Financials closed mixed after tumbling earlier this week and rising sharply Thursday.

The broader based SE index edged down 0.27 to 1,016.93. Volume 9.5m (10.5m) shares.

Financials ended mixed after swinging widely this week. Constructions and Biotechnologies fell from their first opening on profit-taking.

HONG KONG

Share prices eased in moderate trading, in part because of fresh rumours about Jardine Matheson Holdings, off 40 cents at HK$12.30, and Hongkong Land, off 10 cents at HK$6.30.

The Hang Seng Market index was down 13.36 to 1,665.59. Volume HK$254.58m (HK$312.56m).

Brokers said the most common market gossip had Jardine Matheson selling its 35 per cent stake in Hongkong Land for more than HK$5bn, then using the money to repay its debt and repurchase its own stock.

Hongkong Land's decline carried most Property shares lower, and the sector's sub-index shed 25.40 to 2,100.75.

Jardines' loss pushed the Commerce and Industry sub-index down 14.06 to 1,449.02.

CANADA

Stock	Aug. 1	July 31
AMCA Intl.	16½	16⅝
Abitibi	18	18
Agnico Eagl.	18¾	18⅛
Alberta Energy	18	17⅞
Alcan Aluminium	37½	37⅝
Algoma Steel	22⅞	22⅛
Argcen Inc	91	21
Bank Montreal	30½	28¾
Bank NovaScotia	13¼	13⅜
Campbell Red Lk.	39⅜	32⅞
Can. Cement Pt.	11	11
Can. NW Energy.	22⅞	22
Can. Packers	34½	34¼
Can. Trustco	38⅝	38⅜
Can. Imp. Bank.	36	36
Can. Pacific	19⅜	19⅛
Can. Pac. Ents	28	27⅞
Can. Tire G.	10	10¼
Cdn. Pr.	6½	8¾
Carling O'Kfe.	15	15
Chieftain	11½	11½
Dome Mines	11⅝	19
Dome Petroleum	2.82	8.83
Domtar	20¼	29⅝
Falconbridge	61½	21¼
Fed. Inds. A	66⅛	25⅜
Gendis A	30½	30
Genstar	35⅛	54⅞
Giant Y'knife	18½	19¼
Gt. West Life	4.25	4.93
Gulf Canada	18¼	18¼
Hawker Sid. Can	80½	21
Hudson's Bay	23	23⅛
Loblaw	20⅛	20½
Macmil Bloedel	21½	61⅝
Marks & Spencer	11⅛	11⅛
MasseyFerguson	3.45	3.30
McIntyre Mines	41½	48
Mitel Corpn.	10⅝	10⅛
Molson A	16⅛	16¾
Moore Corp.	27⅛	26⅝
Nat. Bank Can.	20⅛	60⅝
Nat. Sea Prods A	9¼	9½
Noranda Inc.	16⅞	17
Norcen Energy	13½	13½
Ranger Oil	4.40	4.55
Reed St'house A	21½	20¼
Rio Algom	22⅛	33¼
Royal Bank Can.	31¼	30⅛
Royal Trust A	21¼	20⅛
Sceptre Res.	5⅛	5⅛
Seagram	57⅛	67½
Sears Can. Inc.	2⅛	9
Shell Can. A.	25⅛	25
Stelco A.	23	22¼
Teck B.	14¼	14½

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound out of favour

Sterling remained out of favour on the foreign exchanges yesterday, continuing to suffer from the threat of lower London interest rates, although the downward trend in rates has been reversed, and interbank rates no longer indicate another cut in clearing bank base rates. Fears about lower oil prices, following the recent suggestion that Saudi Arabia might increase production, appeared to be overdone, but at present the pound is no longer regarded as an attractive alternative to the dollar. Sterling's exchange rate index opened firmer at 82.2 and rose to a peak of 82.4 at 9 am, but then fell sharply to a low of 81.0 at noon, before closing 1.0 lower on the day at 81.1. The pound lost 1.15 cents to $1.3710-$1.3720, and also fell to DM 3.87 from DM 3.90; FFr 11.80 from FFr 11.86; SwFr 3.18 from SwFr 3.20 and Y325¾ from Y327¾.

The dollar was mixed, supported by higher U.S. interest rates and an unexpectedly large rise of $3.7bn in weekly M1 money supply.

The dollar rose to DM 2.8250 from DM 2.8215; and FFr 8.6150 from FFr 8.59, but eased to SwFr 2.3115 from SwFr 2.32 and Y237.40 from Y237.55.

£ IN NEW YORK

	Aug. 2	Prev. close
£ Spot	$1.3650-3660	$1.3720-3740
1 month	0.43-0.45 pm	0.44-0.43 pm
3 months	1.13-1.12pm	1.13-1.10pm
12 months	2.75-2.60 pm	2.68-2.60pm

Forward premiums and discounts apply to the U.S. dollar

STERLING INDEX

	Aug 2	Previous
8.30 am	82.2	83.0
9.00 am	82.4	83.1
10.00 am	81.7	83.2
11.00 am	81.2	82.9
Noon	81.0	82.7
1.00 pm	81.0	82.6
2.00 pm	81.0	81.7
3.00 pm	81.3	82.0
4.00 pm	81.1	82.1

POUND SPOT—FORWARD AGAINST POUND

August 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3550-1.3880	1.3710-1.3720	0.46-0.42c pm	3.85	1.16-1.11pm	3.31
Canada	1.8449-1.8723	1.8510-1.8560	0.01c pm-par	0.06	0.02-0.01pm	0.03
Nethlnd.	4.33½-4.39	4.34½-4.35½	2¼-1⅞c pm	5.09	6-5⅛pm	5.41
Belgium	77.93-79.11	78.10-78.20	25c pm-2dis	1.77	50-9pm	1.51
Denmark	13.89-14.10	13.94-13.95	4⅛-2¾ore pm	3.01	9½-7¼pm	2.46
Ireland	1.2360-1.2470	1.2405-1.2415	0.22-0.08p pm	1.45	0.49-0.27pm	1.22
W. Ger.	3.85½-3.91	3.86½-3.87½	2½-2¼pf pm	7.17	6½-6¼pm	6.65
Portugal	220½-232½	226¼-230¼	55-420c dis	−12.47	305-1485d	−15.67
Spain	225¼-229½	225½-226½	95-175c dis	−7.16	320-820dis	−3.31
Italy	2,579½-2,629¼	2,597½-2,598½	5 lire pm-5 dis	—	6-5dis	−0.65
Norway	11.33-11.47¾	11.38-11.39	pm-1½ore dis	−0.79	2¼-3⅞dis	−0.54
France	11.77¾-11.95½	11.79½-11.80½	1¾-3½c dis	−2.80	5¾-8¾dis	−2.46
Sweden	11.41½-11.55½	11.47-11.48	3½-5¼ore dis	−4.58	9¾-11¼dis	−3.55
Japan	323½-329	325½-326½	1.60-1.40y pm	5.53	4.30-4.00pm	5.10
Austria	27.11-27.43	27.15-27.27	14⅛-12⅝gro pm	6.09	38¾-34¼pm	5.33
Switz.	3.16-3.20½	3.17½-3.18½	2⅛-1⅞c pm	7.50	5½-5¼pm	8.76

Belgian rate is for convertible francs. Financial franc 79.40-79.55. Six-month forward dollar 1.95-1.88c pm. 12-month 2.75-2.65c pm

DOLLAR SPOT—FORWARD AGAINST DOLLAR

August 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3550-1.3880	1.3710-1.3720	0.46-0.42c pm	3.85	1.16-1.11pm	3.31
Ireland†	1.0980-1.1070	1.1016-1.1024	0.30-0.20c pm	2.73	0.65-0.50pm	2.09
Canada	1.3518-1.3540	1.3520-1.3530	0.11-0.14c dis	−1.11	0.31-0.36dis	−0.92
Nethlnd.	3.1620-3.1830	3.1705-3.1715	0.51-0.49c pm	1.89	1.73-1.70pm	2.16
Belgium	56.95-57.25	57.00-57.10	18-25c dis	−4.51	35-50dis	−2.97
Denmark	10.10-10.20	10.18-10.18½	½-1ore dis	−0.88	1¾-2¼dis	−0.78
W. Ger.	2.8150-2.8340	2.8245-2.8255	0.79-0.74pf pm	3.24	2.38-2.33pm	3.32
Portugal	167-168½	167½-168½	100-350c dis	−16.10	450-1200d	−19.67
Spain	165-166½	165¾-166¼	150-300c dis	−16.31	700-1000d	−20.54

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 57.90-58.00.

OTHER CURRENCIES

Aug. 2	£	$		£ Note Rates
Argentina Austl.	1.0978-1.0994	0.8000-0.8010	Austria	27.15-27.45
Australia Dollar.	1.9080-1.9120	1.3940-1.3960	Belgium	79.40-80.20
Brazil Cruzeiro	8,859-8,894	6,460-6,480	Denmark	13.88-14.02
Finland Markka.	8.1923-8.2311	5.9990-6.0010	France	11.75-11.88
Greek Drachma.	180.43-184.02	130.35-138.83	Germany	3.85-3.89
HongKong Dollar	10.5000-10.6000	7.7580-7.7600	Italy	2596-2630

* Selling rate.

EXCHANGE CROSS RATES

MONEY MARKETS

Rates stay firm

Interest rates maintained the recent firmer tone on the London money market yesterday. Dealers have not abandoned all hope of further cuts in clearing bank base rates, but the timing of any downward move is now in doubt. Sterling's weakness on the foreign exchanges has meant that even if next week's UK money supply figures are satisfactory, this is much less likely to lead to any early reduction in rates. Three-month interbank rose to 11¾-11⅞ per cent from 11⅞-11⅝ per cent, and discount houses buying rates for three-month bank bills firmed to 11⅜ per cent from 11 7/16 per cent.

UK clearing banks base-lending rate 11½ per cent since July 30.

As prospects faded for an early cut in base rates discount houses became more willing to sell bills outright to the Bank of England. At times of falling rates the houses are reluctant to part with high yielding paper.

The Bank of England forecast a money market shortage of £950m, and provided total help on the day of £924m. An early round of assistance was offered, but at that time the authorities bought only £26m bills outright, by way of £3m Treasury bills in band 2 (15-33 days maturity) at 11⅞ per cent, and £23m bank bills in band 2 at 11⅞ per cent. Just before lunch the houses seemed more willing sellers however, and the Bank of England bought another £251m bills outright, through £48m bank bills in band 1 (up to 14 days) at 11⅜ per cent; £141m bank bills in band 2 at 11⅜ per cent; £51m bank bills in band 3 (34-63 days) at 11⅜ per cent and £11m bank bills in band 4 (64-91 days) at 11 5/16 per cent.

In the afternoon another £372m bills were purchased outright, by way of £21m bank bills in band 1 at 11⅜ per cent; £235m bank bills in band 2 at 11 7/16 per cent; £4m local authority bills in band 3 at 11⅜ per cent and £112m bank bills in band 3 at 11⅜ per cent.

The Bank of England also provided late assistance of around £275m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £682m, with a rise in the note circulation absorbing £230m and bank balances below target another £95m.

LONDON MONEY RATES

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅛-11⅞	—	11⅞	7.8-8.0	8 8⅛	9-9⅛
Two months	12-11⅞	—	11⅞	7.85-7.95	8⅛-8⅜	9-9⅛
Three months	11⅞-11⅝	—	11⅞	7.9-8.0	8⅛-8⅜	9-9⅛
Six months	11 15/16-11 9/16	—	11⅝	8.15-8.25	8⅜-8⅝	9-9⅛
Nine months	11⅝-11⅜	—	11⅞	8.5-8.5	—	—
One year	11⅝-11⅜	—	11⅝	8.6-8.7	9⅛-8⅝	9⅛-9⅛
Two years	—	11	—	—	—	—
Three years	—	11	—	—	—	—
Four years	—	11	—	—	—	—
Five years	—	11	—	—	—	—

ECGD Fixed Finance IV Average Rate of Interest period June 5 to July 2 (inclusive) 12.535 per cent. Local authority and finance houses seven days' notice, others seven days fixed. Finance Houses Base Rate (published by the Finance Houses Association) 12½ per cent from August 1 1985. London and Scottish Clearing Bank Rate for lending 11½ per cent. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Treasury Bills: Average tender rate of discount 10.9757 per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 11½ per cent; one-three months 11¼ per cent; three-six months 11 per cent; six-nine months 10¾ per cent; nine-12 months 10½ per cent. Under £100,000 10¼ per cent from July 29. Deposits held under Series 5 10¼ per cent. The rate for all deposits withdrawn for cash 7½ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 2)

3 months U.S. dollars

bid 8 1/8 offer 8 1/4

6 months U.S. dollars

bid 8 3/8 offer 8 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Aug. 2	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12-12¼	7⅞-8	8¼-8½	5-5¼	5¼-5½	4⅝-4⅞	9¾-10	7-10	7½-8½	9-9½	6½-6⅝	8⅞-9⅜
7 days' notice	11⅞-12	7⅞-8	8½-8½	6-6¼	2¼-2½	4⅝-4⅞	10-10½	13½-18½	8½-10	9-9¼	6½-6⅝	9⅛-9⅜
Month	11⅞-11⅞	7 15/16-8 1/16	8⅝-8⅞	6-6¼	4⅞-4⅞	4⅝-4⅞	12-12½	11½-12½	9¼-10¼	9¼-9½	6½-6⅝	8⅞-9⅛
Three months	11⅝-11⅞	8⅛-8¼	8 15/16-9 1/16	5⅞-6	4⅞-4⅞	4⅝-4⅞	12½-13	12½-13½	9¾-10⅛	9⅛-9⅜	6½-6⅝	8⅞-9⅛
Six months	11⅛-11⅞	8⅛-8⅛	9⅛-9⅜	5⅞-6	4⅝-4⅞	4⅝-5 1/16	12⅛-13½	13½-15½	9¾-10⅛	9⅝-9⅞	6½-6⅝	9-9⅛
One year	11⅛-11⅛	8 7/16-8 9/16	9½-9⅝	5⅞-6	4⅝-4⅞	4 15/16-5 1/16	11⅞-12	13½-14½	10-10⅛	10-10⅛	6½-6⅝	9⅛-9⅜

Asian $ (closing rates in Singapore): Short-term 7⅞-8 per cent; seven days 7⅞-8 per cent; one month 8⅛-8¼ per cent; three months 8¼-8⅜ per cent; six months 8⅜-8½ per cent, one year 8 15/16-8 15/16 per cent. Long-term Eurodollars: two years 9⅞-9⅞ per cent; three years 10⅛-10⅛ per cent; four years 10¼-10⅜ per cent; five years 10⅛-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen, others two days' notice.

COMMODITIES AND AGRICULTURE

WEEKLY PRICE CHANGES

	Latest prices per tonne unless stated	Ch'nge on week	Year ago	1985 High	1985 Low
Coffee Futures Nov.	£1714.5	+140.5	£2358	£2,457	£1487.5
Cotton Index	57.80c	−1.85	78.55a	71.85c	57.65c
Drs. Coconut	£780		£1335	£1,850	£760
Gas Oil Fut. Sept.	$823	+2.5	$227.85	$235.5	$208.75
Jute UA BWC grade	$420	−35		$945	$480
Rubber kilo	63.5p	+0.5	65.5p	70p	60p
Sisal No. 3L	$515	−106		$670	$513
Sugar (Raw)	$125u	+11	£85.5	$122.5	$82
Tea (quality) kilo		—		340p	185p
(low med.) kilo	103p	—	210p	055p	102p
Wooltops 64s Super	426p kilo	−1	465p kilo	526p kilo	428p kilo

† Unquoted. (g) Madagascar. (t) September. (u) August-September. (v) July-August. (x) November.

OIL

Several Urals cargoes sold this week at around $26.10 delivered. Non-Saudi lighter Arab Gulf crudes were stronger for September than for August loadings. Brent traded thinly. Nymex WTI opened 3c up for September and traded 7c up at 1 pm EST. In the petroleum products market gas oil prices took on support from the firm barge market, IPE and the Nymex. Heavy fuel was firmed on continued demand in the Mediterranean, reports Petroleum Argus, London.

SPOT PRICES

GOLD

Gold fell $1⅜ to $320½-321 on the London money market yesterday. It opened at $320¾-321¼ and was fixed at $319.65 in the morning and $320.50 in the afternoon. It touched a peak of $321½-322 and a low of $319¾-320 in quiet trading.

GOLD BULLION (fine ounce) Aug. 2

Close	$320½-321	(£234½-235)
Opening	$320¾-321¼	(£231⅝-232¼)
M'ning fix.	$319.65	(£234.262)
Aft'n'n fix.	$320.50	(£233.601)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$325½-327¼	(£238-238½)
½ Krug.	$170-170½	(£124¼-124¾)
¼ Krug.	$86½-87¼	(£63¼-63¾)
1/10 Krug.	$35-35½	(£25½-26¼)

INDICES

FINANCIAL TIMES

REUTERS

DOW JONES

REVIEW OF THE WEEK

Weak £ aids coffee market recovery

BY OUR COMMODITIES STAFF

THE LONDON coffee futures market staged its long-awaited rally this week, ending the sustained decline which had wiped more than £900 a tonne off nearby values in less than five months.

The market quickly recovered from the disappointing, but not unexpected, failure of last week's International Coffee Organisation (ICO) executive Board meeting to make significant progress towards strengthening the ICO's price support arrangements. And with sterling falling sharply against the dollar the September futures position moved ahead strongly to end the week £144 higher at £1,681.50 a tonne.

The rise was not entirely due to sterling's weakness, however. Dollar values were higher as well, reflecting growing concern about the lack of rain in Brazilian growing areas and uncertainty about the effects of the Ugandan coup on shipments from that country.

Dealers thought the sharpness of the rise also owed a good deal to the scale of the previous fall, which had resulted in the market becoming oversold. Some were wary, however, that the recovery might be overdone in much the same way and were recommending cautious trading.

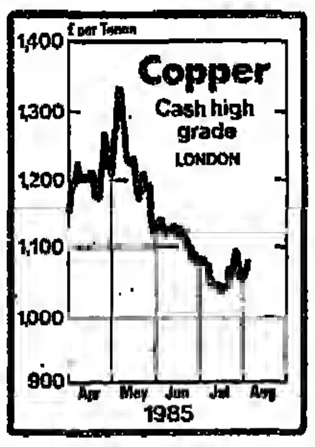
A further cut of 1m bags (60 kilos each) in ICO export quotas was triggered on Tuesday after the 15-day average indicator price fell below 120 cents a lb. But the cut, which took the 1984/85 quota total to 58m bags, was already recognised as virtually inevitable and had no discernible impact on market sentiment.

The cocoa futures market was basically weak on lack of consumer demand though the decline in the value of the pound allowed the September position to regain £18.50 of its earlier fall yesterday and finish the week only £26 down on balance at £1,682.50 a tonne.

The world sugar market was relatively quiet following the strong gains of last week. The London daily raws price gained $3.50 yesterday to end the week $11 up at $125 a tonne. But that price only equalled the level reached on Monday morning.

On the London Metal Exchange (LME) base metals prices were generally higher, mainly reflecting the currency factor. The strongest performer was aluminium, which ended £36.50 up on the week at £757.50 a tonne following a £16.50 rise yesterday. The pound's fall was the main influence on the rise but aluminium prices were also higher in dollar terms.

The main feature of the copper market was the easing in concern about a possible nearby supply squeeze which had pushed the premium for the cash delivery price over the three months position out to £23.50 by the end of last week. With cash higher grade copper falling £5 this week and the three months position gaining £7.25 the premium, or backwardation, was narrowed to £12.25 a tonne. The level of LME warehouse stocks of copper continued to rise last week but the 14,975 tonnes rise to 143,500 tonnes announced on Monday was expected and had little influence on prices.



BASE METALS

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	757.5-8	+16.5	—
3 months	779-80	+17	786/768

Official closing (am): Cash 756.5-7 (726-7); three months 777.5-8.5 (748-5); settlement 757 (727). Final Kerb Close: 779-80. Turnover: 26,925 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/Low
Cash	1063-5	−15	1084/1062
Three months	1071.5-2	+17.5	1075/1054

Official closing (am): Cash 1062-3 (1062-4); three months 1071.5-2 (1045-6); settlement 1063 (1064). Final Kerb Close: 1071-72.

Cathodes			
Cash	1030-2	−21	1036/1032
Three months	1045-4	+31	1040/1046

Official closing (am): Cash 1033-7 (1003-5); three months 1046-7 (1013-5); settlement 1037 (1005). Turnover: 18,650 tonnes. U.S. Producer prices 68.625-71 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	294-5	+3.5	—
3 months	298.5	+1.5	302/297

Official closing (am): Cash 295.5-5.5 (291.5-2); three months 300.5-1 (297-.5); settlement 296.5 (292). Final Kerb Close. 298-8.5. Turnover. 7,325 tonnes. U.S. Spot: 19-21 cents per pound.

NICKEL

ZINC

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low for day
Cash	9175-6	+8	—
3 months	9150-5	+21.5	—

Official closing (am): Cash 9170-5 (9142-5); three months 9155-60 (9105-10); settlement 9175 (9145).

Standard			
Cash	9175-6	−8	9125/9170
3 months	9150-1	+19.5	9180/9138

Official closing (am): Cash 9165-70 (9142-5): three months 9150-1 (9100-5): settlement 9170 (9145). Final Kerb Close. 9152-55. Turnover. 1,000 tonnes. Straits tin $m30.91 (30.89) kilo.

SILVER

Silver was fixed 3.3p an ounce higher for spot delivery on the London bullion market yesterday at 446.6p. U.S. cent equivalents of the fixing levels were: spot 613c, down 12c; three-month 624.7c, down 12.05c; six-month 638c, down 12.5c; and 12-month 665.7c, down 12.35c. The metal opened at 446-449p (617-620c) and closed at 450½-453½p (616-619c).

SILVER per troy oz	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	446.60p	+3.30	450.5p	+5.5
3 months	460.80p	+3.70	463.25p	+6.75
6 months	473.65p	+4.35	—	—
12 months	497.35p	+4.95	—	—

LME—Turnover: 49 (53) lots of 10,000 oz.

Three months high 464, low 461.

GRAINS

Jan/Mar 109.25, April/June 114.25 sellers east coast. Maize: U.S. no. 3 yellow/French transhipment east coast Aug/Sept 1?6 sellers. Barley: English feed fob spot 100 bid east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 92.60, E. Mids 92.00. The UK monetary coefficient for the week beginning Monday August 12 (based on HGCA calculations using three days' exchange rates) is expected to change to 0.971.

FREIGHT FUTURES

Commission house selling on the opening pushed nearby futures prices as much as 10 points lower, but healthy trade buying, probably on a short-covering basis, stabilised values. Thereafter the market held steady in quiet conditions, reports Clarkson Wolff. The Baltic Freight Index was 713.5, down 2 points.

	Close	High/Low	Prev
Oct.	775-774	880-830	769-770
Jan.	830-836	850/825	825-828
April	880-800	900-880	883-900
July	825-860	—	825-860
Oct.	880-940	—	925-960
Jan.	800-1000	—	925/980
April	1000-1050	—	1000-1050
July	800/900	—	750/950

Turnover: 95 (283).

COCOA

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
Sept.	1682-1683	+18.5	1684-1670
Dec.	1690-1691	+17.5	1691-1678
Mar.	1698-1699	+10.5	1702-1690
May	1715-1716	+8.0	1722-1710
July	1732-1733	+7.5	1737-1725
Sept.	1745-1751	+6.5	1757-1750
Dec.	1760-1763	+5.0	1782-1762

Sales: 2,813 (2,557) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound).

COFFEE

RUBBER

The London physical market opened slightly steadier, found little follow-through buying throughout the day and closed on a slightly easier note, reports Lewis and Peat. Closing prices (buyers): spot 63.50p (63.00p); Sept 60.75p (59.75p); Oct 60.75p (59.75p). The Kuala Lumpur fob price for RSS No 1 was 191.5 (191.0) cents a kg and for SMR 20 was 181.5 (181.0).

SUGAR

LONDON DAILY PRICE—Raw sugar $125.00 (£92.00), up $3.50 (up £6.00) a tonne for August-September delivery. White sugar $152.50, unchanged.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Oct	128.4-126.8	126.6-127.0	129.4-124.8
Dec	155.2-155.4	150.8-151.6	154.4-150.0
Mar	143.2-143.4	140.0-141.0	144.0-138.6
May	146.2-140.4	144.8-145.2	147.0-142.0
Aug	151.0-152.4	146.0-150.6	160.0-149.6
Oct	155.0-157.4	162.6-165.0	—

Sales: 3,009 (4,119) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £196.50 (£190.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for August 1: Daily price 4.61 (4.26): 15-day average 3.07 (3.45).

SOYABEAN MEAL

	Yesterday close £ per tonne	+ or −	Business Done
August	—	—	—
October	112.?-115.6	+0.45	113.7-113.5
Dec	117.6-118.3	+1.56	118.5
Feb	122.9-126.3	−1.75	123.5-126.0
Apr	124.0-124.6	+1.85	125.0
June	125.5-125.5	+2.00	125.0
August	124.0-127.0	+1.00	—

Sales: 60 (252) lots of 20 tonnes.

POTATOES

PIGMEAT

AMERICAN MARKETS

COPPER WAS generally firm reflecting short-covering ahead of the LME stock figures, reports Heinold Commodities. Aluminium was steady on the lack of fresh news. Sugar was slightly firmer on indications that cash interest continues to emerge. Coffee was modestly higher on fears of developing tightness in Robusta supplies. Cocoa was generally firmer on an oversold condition along with the emergence of manufacturer price fixing. Cotton was steady as producer selling remained light.

NEW YORK

ALUMINIUM 40,000 lb, cents/lbs

	Close	High	Low	Prev
Oct	45.25	—	—	46.00
Sept	45.55	45.55	45.65	45.70
Aug	45.35	—	—	45.40
Dec	46.65	46.95	46.65	46.70
Jan	47.00	—	—	41.05
March	47.65	—	—	47.73
May	45.35	—	—	45.40
July	40.05	—	—	49.10
Sept	49.75	—	—	40.80
Jan	51.20	—	—	51.25

COCOA 10 tonnes $/tonnes

	Close	High	Low	Prev
Sept	2057	2072	2048	2060
Dec	2102	2115	2098	2114
March	2127	2137	2125	2146
May	2149	2155	2150	2170
July	2175	2185	2185	2190
Sept	2170	—	—	2201
Dec	2208	—	—	2228

COFFEE "C" 37,000 lb, cents/lbs

	Close	High	Low	Prev
Sept	134.18	135.15	134.15	134.13
Dec	137.17	138.00	137.10	137.14
March	138.65	139.75	138.30	136.50
May	130.01	139.60	139.45	139.73
July	139.86	—	—	140.00
Sept	140.60	141.00	141.00	140.13

COPPER 25,000 lb, cents/lbs

COTTON 50,000 lb, cents/lbs

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

GOLD 100 troy oz, $/troy oz

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

ORANGE JUICE 15,000 lb, cents/lb

PLATINUM 50 troy oz, $/troy oz

SILVER 5,000 troy oz, cents/troy oz

SUGAR WORLD "11" 112,000 lb, cents/lb

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

LIVE HOGS 30,000 lb, cents/lb

MAIZE 5,000 bu min, cents/56 lb bushel

PORK BELLIES 38,000 lb, cents/lb

SOYABEANS 5,000 bu min, cents/60 lb bushel

SOYABEAN MEAL 100 tons, $/ton

SOYABEAN OIL 60,000 lbs, cents/lb

WHEAT 5,000 bu min, cents/60 lb bushel

LONDON STOCK EXCHANGE

Four-day rise in equities halted but index remains 27 points up on week at 951.1

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
July 15	July 25	July 26	Aug 5
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9

* "New-time" dealings may take place from 9.30 am two business days earlier.

The four-day advance of leading shares came to a halt in London stock markets yesterday. Short-term holders decided to realise the often sizeable profits built up over the period and values reacted in the absence of any fresh worthwhile offtake. Few sectors of the market resisted the trend but aerospace and kindred issues caught the fancy of investors following news of the tripartite agreement for a Euro fighter project. The UK, Germany and Italy intend to build an aircraft for the next century and have invited France and Spain to participate but will still proceed if they refuse.

Principal beneficiary British Aerospace were heavily traded with ordinary and new partly-paid shares both having their followers, while a good interest was shown for Dowty. Smiths Industries, Lucas Industries, GEC and Ferranti. Turnover in other blue chip industrials was disappointing, being well below Thursday's increased volume. Despite the further weakening in the sterling exchange rate, institutional operators retreated to the sidelines and international stocks struggled to consolidate the previous session's good gains.

A late morning recovery on the Euro fighter news was eventually abandoned and throughout the afternoon top quality stocks shed a few pence more. The upshot was that the FT Ordinary share index closed 8.8 down at 951.1. Over the first week of the current trading Account, however, the index was still 27 points up.

Higher short-term interest rates followed the fall in the pound and further reduced the chance of lower bank charges. However, prospects for another small cut in base lending rates could improve again on Tuesday after announcement of the July banking statistics. Many analysts forecast a fall in sterling M3, ranging from ½ to 1 per cent.

Gilt-edged securities again suffered repercussions from the easier pound. The continuing outflow of foreign funds unsettled the market and although dealers reported no undue selling pressure they all remarked on the absence of buyers. Thoughts of further official funding inhibited investors who continued to hold back in the after-hours' trade despite the lack of any announcement regarding new tap stock issues. Short and longer-dated Gilts were affected to some extent sustaining fresh losses ranging to $\frac{7}{8}$ or so, but activity was largely confined to the shorter end of the market.

Lloyds easier

Lloyds brought a rather contrasting clearing bank dividend season to a slightly disappointing close. A near-26 per cent rise in interim profits to £264m—brokers forecasts had ranged from £260m and £290m — left the shares 7 down at 393p, after 390p. Barclays, meantime, responded to glowing comment on its first-half performance and rose 6 more to 398p, after 408p. Midland hardened a penny to 388p on further consideration of its results, but NatWest fell 17 more for a decline of 57 on the week at 638p following poor interim results—up 20 per cent to £354m against forecasts ranging to £460m. Elsewhere, German issues reflected the strength of their domestic market with Deutsche notable for a rise of 2½ points to £145½; sentiment in the latter was also helped by details of vastly improved first-half operating profits. Algemene added 1½ points at £114½. Among merchant banks, Goode Durrant and Murray put on 9 to 103p in belated response to news of the sale of its New Zealand subsidiary for £8.45m cash, while Guinness Peat hardened a penny to 63p on Press reports of a management buy-out of its international development arm, G.P. Properties.

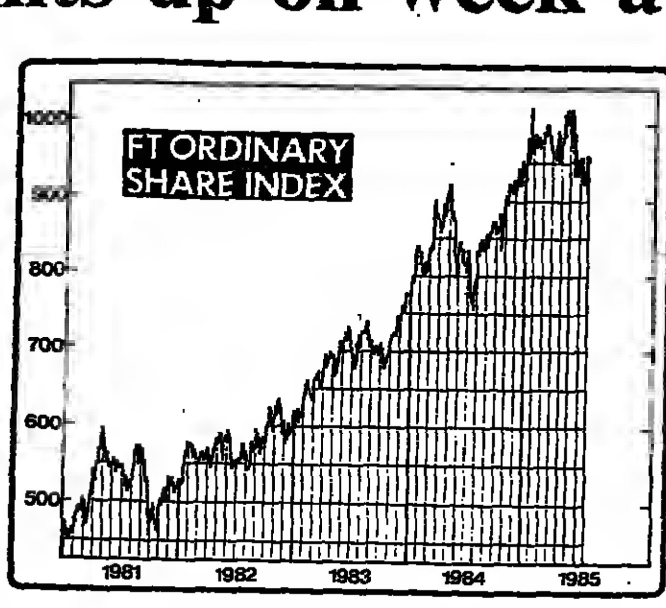
Arthur Bell, currently contesting a bid from Guinness, rose 5 to 237p on news that Ladbroke had taken a 3.25 per cent stake including shares purchased yesterday. Guinness, which has acquired Southland McColl, a holding company for £24m cash, hardened a penny to 247p. Wolverhampton and Dudley improved a couple of pence to 336p, after 338p, following a broker's lunch, but Buckleys met with further profit-taking in the absence of any bid developments and closed 4 down at 72p.

Buildings finished the week in irregular fashion. Blue Circle softened 5 to 510p on reports of a broker's profits downgrading, but BPB Industries attracted sporadic buying interest and closed 3 better at 280p, after 282p. Elsewhere, buying ahead of next Thursday's interim results lifted Heywood Williams 4 to 144p, while news that Investing in Industry had acquired a 5.47 per cent stake in the company boosted Exeter Building 7 to 135p. British Dredging found support at 70p, up 4, while Gleeson rose 8 to 230p in a restricted market. Milbury remained volatile and closed 5 down at 30p. Phoenix Timber fell 16 to 102p following the dismal annual results.

After improving to 694p on currency influences, ICI drifted back to close 2 cheaper on the day at 687p.

Burton offer extended

The climax of the Burton/Debenhams bid battle dominated trading in Stores. Debenhams touched 332p prior to closing a net 9 up at 326p as both Burton and House of Fraser increased their holdings through market purchases. Burton fluctuated narrowly before moving ahead strongly as the 3 pm deadline approached: the price touched 476p before easing back to 462p for a net gain of 8 on the day. It was later announced that Burton had extended its offer until 3.30 pm tomorrow. Other Stores were completely overshadowed, but a firmer trend developed after-hours and most closed higher on balance. Habitat Mothercare, partnering Burton in its quest for control of Debenhams, settled 6 higher at 402p, after 394p. Harris Queensway, a firm counter recently on rumours of a possible bid from Woolworth, ended 4 higher at 274p, after 266p.



Apart from Racal, which hardened a couple of pence more to close the week 28 higher at 160p on persistent buying fuelled by the optimistic annual report, the Electrical majors ran out of steam. British Telecom slipped a few pence to 194p, while BICC, at 185p, and Thorn EMI, at 329p, gave up 5 apiece. STC held the overnight level of 106p following confirmation of the resignation of the chairman, Sir Kenneth Corfield: the group's interim results are scheduled for next Friday. Elsewhere, CML Microsystem reflected newspaper comment at 180p, up 10, while Eurotherm attracted speculative support and ended 7 dearer at 307p. Favourable reports emanating from a broker's lunch with the company left Volex 12 better at 212p, while INSTEM rallied 10 to 180p. Arlen lost 6 to 62p following profit-taking after the preliminary results.

TI, a rising market of late on rumours of a £4 per share bid from Evered which recently acquired a 12 per cent stake in the company, fell 10 to 372p on profit-taking. GKN softened a penny to 212p ahead of next Wednesday's interim results and Vickers eased a few pence to 255p. Brown and Tawse, on the other hand, advanced 7 to 129p in response to an investment recommendation, while speculative improvements of 4 and 6 respectively were recorded in MS International, 41p, and Cronite, 41p.

Foods made an irregular showing. Cadbury Schweppes shed 3 to 144p on talk that a large line of stock was on offer, while recently firm United Biscuits succumbed to profit-taking and fell 6 to 176p. Takeover favourite Rowntree Mackintosh softened 3 to 385p, but retained a gain on the week of 20. Ranks Hovis McDougall, on the other hand, attracted buying on revived speculation about the possible sale of S. and W. Berisford's 15 per cent stake in the company and firmed 4 to 149p. Tavener Rutledge gained 12 to 58p on speculative buying in a restricted market, while Freshbake firmed 6 to 80p and Meadow Farm rose 10 to 345p. Among Retailers, Dee Corporation slipped 8 to 262p ahead of next Thursday's annual results.

Aerospace issues good

News that the multi-billion dollar European aircraft project had been given the green light prompted sharp gains among aerospace issues. British Aerospace, which has a 25 per cent interest in the project, were particularly receptive and jumped to 360p before closing 20 higher on balance at 350p; the new shares advanced 18 to 178p, after 190p. Dowty gained 13 to 189p, after 196p, and Smiths Industries firmed 9 to 196p, while Ferranti added 6 to 128p, after 132p, and GEC hardened a couple of pence to 188p. Elsewhere in miscellaneous industrials, Phillips Patents rose 6 to 58p, after 61p, on the announcement that Bremner had increased its stake in the company to over 13 per cent. A "take profits" recommendation prompted early selling of Celtic Haven which dropped to 99p before rebounding smartly on revived speculative support to close a further 2 up and 22 dearer on the week at 108p. "The Times" Veneer rose 5 to 42p with the help of "call" option business and Williams Holdings added 12 at 325p on expansion hopes. Scapa firmed 7 to 390p after news that its bid for United Wire is not to be referred to the Monopolies Commission. BOC, in demand throughout the week ahead of results, reacted 6 to 290p on pre-next Thursday's third-quarter fittaking, but Glaxo continued to draw strength from the declining pound and rose ⅛ more to £12⅛.

The weakening pound continued to boost Jaguar which rose 6 to 265p. Flight Refuelling gained 11 to 265p on possible Eurofighter benefits. Elsewhere, Lex firmed 4 more to 204p on recovery hopes, while Abbey Panels gained 5 to 115p in reply to the good interim figures.

Regalian remained a firm market on London dockland development prospects and closed 2 dearer at 228p, a gain on the week of 26. Estates and Agency rose 8 to 163p following acquisition news, while Stockley hardened the turn to 65p on the interim figures. Hopes connected with the Broad Street office development prompted support for Rosebaugh, a point higher at £13½ in a restricted market.

Imperial Group, a strong market recently on hopes of early moves in the resumed negotiations with Marriott Hotels of the U.S. regarding the possible sale of Howard Johnson, slipped 4 to 181p in the absence of developments.

Britoil up again

Concern over the possibility of renewed downward pressure on international crude oil prices offset the benefits to oil companies of the latest weakness in sterling and the majority of the leading issues closed with modest falls on balance. Britoil were a notable exception, however, as talk of sustained domestic and overseas support boosted the shares a further 4 to 217p—a week's rise of 10; the strength of London equity markets over the past week has given a major confidence booster to the sale of the Government's remaining 48.8 per cent stake in Britoil, dealings in which are scheduled to commence on August 12. BP settled 8 lower at 528p, while Shell eased 3 to 685p: interim result from Royal Dutch/Shell are expected next Thursday. In secondary oils, preliminary results and the accompanying statement prompted good support for Caledonian Offshore which touched 480p before closing a net 20 higher at 470p. Premier Consolidated rose 2 to 45p, after 46p on talk of an imminent drilling report while speculative support lifted Berkeley Exploration 10 to 80p. Elsewhere, Bryson Oil and Gas revived with a 10 gain at 70p.

Golds weak again

South African mining markets continued to reflect extreme nervousness over the current political situation in the Republic. The recent imposition of a freeze on new investment by the French Government and the call by America's House of Representatives for selective economic sanctions all served to deter buyers of South African issues which lost ground for the fourth successive day. Adding to the overall gloom in the sector was yet another poor performance by the bullion price which eased further to close a net $1.75 off at $320.75, following reports of downward pressures on oil prices.

Gold shares opened with widespread minor falls, as Cape selling overwhelmed minor buying interest from one or two Continental centres. Thereafter, prices moved in a narrow range prior to rallying late on rumours that a number of foreign exchange controls would be reintroduced in South Africa over the weekend including the re-establishment of a two-tier system for the Rand. On Thursday Doctor Gerhard de Kock, the Governor of the South African Reserve Bank was reported as saying no additional restrictions would be placed on exporting capital from South Africa and that South African interest rates would not rise.

The Gold Mines index fell back to register a further 4.2 decline at 315.7, for a week's loss of 12.9 and its lowest level since late August 1982.

Losses among the top-quality Golds extended to £2⅛, as in Randfontein, £59½. Free State Geduld dipped ¾ to £13¾.

South African Financials remained under similar pressure. New lows for the year were widespread throughout the sector and Anglo American Corporation lost 20 to 840p, Gencor 50 to 825p and "Johnnies" £5 to 59. In Platinums Impala gave up 20 to 575p and Rustenburg 15 to 500p. UK-based Financials held up well in the face of the latest downturn in South Africans. RTZ drew strength from the downturn in sterling over the past couple of days and moved up 5 to 538p.

Renewed profit-taking in overnight domestic markets prompted minor falls in Australians at the outset of London trading. However, sentiment in the Golds improved late in the day and Gold Mines of Kalgoorlie posted a net gain of 7 at a 1985 best of 600p. Sons of Gwalia, already boosted by talk of a buy recommendation in a U.S. newsletter, spurted 9 more to a record 144p following the good results.

FINANCIAL TIMES STOCK INDICES

	Aug. 2	Aug. 1	July 31	July 30	July 29	July 06	year ago
Government Secs.	e2.95	83.21	83.48	83.97	83.95	83.49	77.99
Fixed Interest	88.29	88.49	88.56	89.74	89.63	88.50	81.75
Ordinary ♥	951.1	959.0	943.1	936.0	932.4	924.1	931.4
Gold Mines	315.7	316.9	330.6	335.9	342.1	332.6	514.4
Ord. Div. Yield	4.91	4.88	4.95	4.09	4.99	5.09	4.94
Earnings, Yld. % (full)	12.06	11.97	12.18	12.29	12.44	19.63	11.57
P/E Ratio (net) (*)	10.22	10.30	10.12	10.02	9.82	9.75	10.41
Total bargains (Est.)	21,003	24,263	20,216	20,095	20,241	20,840	19,299
Equity turnover £m.	-	473.30	332.75	364.46	341.67	576.09	351.08
Equity bargains	-	17,572	15,510	22,065	11,238	19,095	15,439
Shares traded (ml)	-	219.3	172.0	191.9	164.0	274.9	174.9

♥ 10 am 955.. 11 am 952.1 Noon 955.2. 1 pm 954.1. 2 pm 953.3 3 pm 953.1 4 pm 952.9.

Day's High 955.5 Day's Low 950.9

Basis 100 Govt. Secs. 15/10/28 Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55 SE Activity 1974

Latest Index 01-246 8026.

* Nil = 9.85.

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.87 (30/7)	78.02 (25/1)	127.4 (9/1/35)	49.19 (3/1/75)
Fixed Int.	88.74 (30/7)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	811.0 (26/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	556.0 (15/4)	315.7 (2/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Aug. 1	July 31
Daily		
Gilt Edged Bargains	158.4	186.1
Equities Bargains	114.5	100.5
Equities Value	955.8	672.6
5 day Average		
Gilt Edged Bargains	152.5	149.0
Equities Bargains	110.9	100.4
Equities Value	844.0	805.5

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of *Share Information Service*

Call options were taken out in STC, Johnson & Firth Brown, "The Times" Veneer, Zandpan Gold Mining, Victoria Carpets, Vaal Reefs Exploration, Pleasurama, Bristol Oil and Minerals, Britoil and Exco. A put was arranged in Lyle Shipping, but no doubles were done.

MONTHLY AVERAGES OF STOCK INDICES

	July	June	May	Apr.
Financial Times				
Government Securities	82.98	81.60	80.75	85.35
Fixed Interest	87.74	86.32	85.68	86.73
Ordinary	935.2	980.4	1003.8	969.0
Gold Mines	366.9	437.8	481.5	516.1
Total Bargains	20,191	29,200	25,942	†26,39
F.T.— Actuaries				
Industrial Group	610.57	637.48	650.77	634.19
500 Share	653.86	679.04	696.96	679.94
Financial Group	455.35	469.91	470.78	454.53
All-Share	569.90	621.04	635.44	619.73
FT-SE 100	1243.0	1284.7	1310.9	1296.5

	July High	July Low
Ordinary	955.7 (5th)	911.0 (26th)
All-Share	607.21 (5th)	591.23 (26th)
FT-SE 100	1260.0 (5th)	1221.7 (25th)

†Corrected figure

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Renunciation date usually last day for dealing free of stamp duty…

LEADERS AND LAGGARDS

Percentage changes since December 31, 1984, based on Thursday, August 1, 1985

Telephone Networks	+26.35	All-Share Index	+ 4.05
Office Equipment	+25.53	500-Share Index	+ 3.99
Insurance (Life)	+24.34	Industrial Group	+ 3.63
Stores	+20.12	Insurance Brokers	+ 3.37
Newspapers, Publishing	+19.20	Health and H'sehold Products	+ 3.09
Shipping and Transport	+18.65	Textiles	+ 2.82
Insurance (Composite)	+17.33	Merchant Banks	+ 2.01
Packaging and Paper	+15.74	Food Manufacturers	+ 1.16
Other Groups	+11.41	Mechanical Engineering	− 1.24
Contracting, Construction	+10.89	Property	− 1.26
Brewers and Distillers	+10.49	Investment Trusts	− 1.34
Metals and Metal Forming	+ 9.47	Overseas Traders	− 3.24
Food Retailing	+ 9.45	Chemicals	− 4.75
Banks	+ 9.03	Capital Goods	− 9.34
Financial Group	+ 9.29	Tobaccos	− 9.27
Motors	+ 7.29	Leisure	−10.99
Other Industrial Materials	+ 7.08	Mining Finance	−11.45
Consumer Group	+ 6.53	Electricals	−16.41
Oils	+ 6.31	Electronics	−26.73
Building Materials	+ 4.64	Gold Mines Index	−33.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (43)

BRITISH FUNDS (1)
Treas. 8¼pc Cnv '85

BANKS (4)
Algemene Bk Ned. Provident Financial
Copenhagen H'bank Woodchester

BUILDINGS (2)
Baggeridge Brick Costain

CHEMICALS (1)
Akzo N.V.

STORES (4)
Hollas Liberty
Time Products Do. NV

ELECTRICALS (1)
Volex

ENGINEERING (2)
Hill & Smith Thyssen

FOODS (2)
Cullen's Hldgs. Tavener Rutledge

INDUSTRIALS (8)
Bestwood Renown Inc.
Gieves The Times Veneer
Grampian Williams Hldgs. 5pc
Jacksons Bourne End Com. Cnv. Pf.
Phillips Patents

NEWSPAPERS (1)
Independent

PAPER (1)
Cropper (James)

PROPERTY (8)
Asda Property Peel Hldgs.
Connells Est. Agents Regalian
Mountleigh Rosehaugh

TRUSTS (5)
Murray Growth Argyle Trust
Do. B Smith Bros.
Scottish Northern

OILS (1)
Inter. Energy

MINES (4)
Forsayth Oil & Gas Hawk Invs.
GM Kalgoorlie Sons of Gwalia

NEW LOWS (60)

FOREIGN BONDS (3)
Chinese 4½pc 1898 Chinese 5pc 1913
Do. 5pc 1912

BUILDINGS (1)
Phoenix Timber

ELECTRICALS (2)
GEC Kode Intl

ENGINEERING (3)
Bristol Chan. Ship Hobson
Cencentric

HOTELS (1)
Breakmate

INDUSTRIALS (5)
Beatson Clark Reckitt & Colman
Fergebrook Sycamore
Ovenstone Invs.

PAPER (1)
Brunning Res. Vtg.

SOUTH AFRICANS (3)
Barlow Rand Tongaat-Hulett
Messina Unisec
OK Bazaars

TEXTILES (1)
Hicking Pentecost

TRUSTS (4)
Fledgling Jap. Wts North Sea Assets
Investing in Success Throgmorton Tst Wts

OILS (1)
Conroy Pet. Nat. Res.

PLANTATIONS (2)
Anglo-East. Plants. Bertam

MINES (31)

RISES AND FALLS

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	2	83	23	154	299	87
Corpns. Dom. and Foreign Bonds	3	34	41	98	81	213
Industrials	305	193	973	1,768	976	4,614
Financial and Props.	194	48	315	716	423	1,646
Oils	27	27	73	138	108	391
Plantations	3	2	13	7	17	65
Mines	40	65	74	253	269	373
Others	138	22	91	385	281	539
Totals	712	474	1,593	3,517	2,453	7,929

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Barclays	398	+ 6	Dowty	189	+13
British Aerospace†	178	+19	Ferranti	128	+ 6
BP	528	− 8	Jaguar	265	+ 6
Burton	462	+ 8	Marks and Spencer	140	− 1
Celtic Haven	108	+ 2	Phillips Patents	58	+ 6
Debenhams	326	+ 9	Scapa	390	+ 7

† Partly-paid.

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday.

Stock	No. of changes	Last Thurs. close	Change on week	Stock	No. of changes	Last Thurs. close	Change on week
Debenhams	158	317	+ 7	NatWest. Bank	83	655	−23
ICI	129	689	+29	STC	82	106	+16
BTR	83	336	+33	Britoil	78	213	+10
BAT Industries	88	310	+17	British Telecom	76	197	+19
Barclays	67	392	+14	Imperial Group	76	185	+15
Br. Aerospace†	65	160	+32	Racal Elects.	75	154	+26
Midland Bank	63	387	+ 9	Beecham	75	341	+26

† Partly-paid.

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List.

Stock	No. of changes	Thurs. close	Day's change	Stock	No. of changes	Thurs. close	Day's change
Debenhams	23	317	+11	Cns Gold Fds.	15	420	−13
ICI	20	689	+25	Celtic Haven	13	106	+ 8
BAT Industries	19	310	+15	Jaguar	13	259	+ 7
Barclays	19	392	+17	BOC	12	296	+10
Glaxo	17	£12⅛	+ 0⅛	BSR Intl.	12	65	+ 5
Mercantile Hse.	16	273	+26	BTR	12	336	+11
British Telecom	15	197	+ 5	Blue Circle	12	515	− 9

S.E. DEALINGS

STOCK EXCHANGE DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ⊕ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

L—M

N—O—P

Q—R—S

T—U—Y

W—Y—Z

FINANCIAL TRUSTS

INSURANCE

INVESTMENT TRUSTS

MINES—MISCELLANEOUS

MINES—SOUTH AFRICAN

OIL

PROPERTY

PLANTATIONS

RAILWAYS

SHIPPING

UTILITIES

WATERWORKS

UNLISTED SECURITIES MARKET

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Airship Inds 25 (28 7)
Do. 11p) 23 ½ (20 7)
All England Lawn Tennis Gnd £500 Dbs 1985-90 (£2.875 Pd) £7.375 400 (30.7)
Alliance Bldg Soc 10¹⁵⁄₁₆pc Bds 25.8.85 £00.848pc
Appleton (10p) 40 (28.7)
Bell 5pcPf (£1) 30 3 (30.7)
Burrough (James) 238 ¹³⁄₁₆ (31.7)
Central Equip 8 (£1) 445 (31.7)
Channel Hotels Prop (10p) 03 (28.7)
Church Army Hsg Soc 2½pcLn £10pc 11pc (20 7)
Conister Trust 95 (31.7)
Explaura Hldgs (5p) 11½
GRI Electronics (10p) 415 (31.7)
Gob (Robert) 11r20p3 35 (26.7)
Guernsey Press (£1) 500 (31.7)
Hard Rock Cafe (2p) 70 72 (31.7)
Harvard Secs (2p) 22½ 25 23½ 24 (31.7)
Hydro Hotel (Eastbourne) (£1) 280 70 (20.7)
ICE (1p) £13.75 14.00 (31.7)
Integrated Business (5p) 100 3 (31.7)
Island Garages (10p) n (29.7)
Ivernia Expl (Ir£1) 30 (30.7)
Jersey New W'works 2pc4thPf (£5) 80
Do. 5pc3rdPf (£5) 200
Do. 10pcDbBds 1988-90 £91pc
Do. 12pcDb 1985-87 £99pc
Kunick Leisure (10p) 55½ 8 7 (31.7)
Le Riches Stores (£1) 315 7 20 2 (31.7)
Mann and D'sena Inv Tst (10p) 14 (29.7)
Merlin Int Prop 51 (30.7)
Merrett (10p) 180½ 190 (30.7)
Munro Core 13p) 303
Newgate Tst (5p) 2 ¼ (29.7)
Oldham Brewery 8pc 1987-91 £59pc 82pc (26.7)
Panther Secs 9pcPf (£1) 33 8 (30.7)
Plumpton Racecourse 72 82 (30.7)
Rangers FC (£1) £12.50 13.50 (26.7)
Seymours 4pcPtPf (£1) 50
Shepherd Neame A (£1) 488 92 (31.7)
Southern Newspapers (£1) 180½ 2
Spirit Music Hldgs 15p) 40 (28.7)
Stallion (Ir£1) 100 (26.7)
Star Offshore Svcs (50p) 24¹⁵⁄₁₆ 3 (29.7)
Sutton Harbour Improvement 395 (29.7)
Taddale Invs (10p) 6 8 (31.7)
Unit Trust Credit (£1) 520 1¼
Weetabix A NV 142 4 (30.7)
Welsh Inds Inv Tst (5p) 26¾ ¼ (30.7)
Wisbech (1p) 11 (29.7)

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

None.

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List

(By permission of the Stock Exchange Council)

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	61.3	65.2	+0.7	3.48
Accum Units	90.6	96.4	+1.0	3.48
Pearl Inc.	85.6	91.1	+0.1	5.20
Pearl Unit Tst.	90.1	95.8	+0.8	4.35
(Accum. Units)	152.4	162.1	+1.5	4.35

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	178.7	191.8	+6.9	1.55
Income	134.3	143.8	+1.4	5.50
Worldwide Recovery	101.5	109.0	+3.4	2.16
American Growth	57.7	62.0	+2.7	0.60
Intl. Emerging Cos.	57.5	61.7	+2.0	0.80
Far East Growth Fd.	46.9	50.3	+2.0	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	99.5	106.6	+2.9	0.36
Prolific Extra Inc.	60.0	64.0	+0.1	6.34
Prolific Gilt Cap.	81.7	84.5	-0.1	3.25
Prolific High Inc.	125.4	133.7	+0.3	5.76
Prolific Intl.	82.7	88.6	+1.3	1.81
Prolific N. Amer.	117.7	125.1	+2.0	2.31
Prolific Spec. Sits	131.7	141.5	+0.3	1.77
Prolific Technology	101.7	109.04	+2.5	0.85

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.2	51.8	+1.9	—
Worldwide	47.7	50.5	+1.0	1.65
European Trust	49.6	52.9	+0.9	1.62
North American	50.2	53.3	+2.1	2.09
UK Equity	48.7	51.6	+0.5	3.96

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst.	313.2	333.7	+1.0	5.74
Holborn Gilt Tst.	152.7	159.6	-0.8	8.64
Holborn High Inc.	53.8	57.2	-0.1	7.45
Holborn Intl.	59.1	62.8	+1.6	0.54
Holborn UK Growth	62.0	65.9	+0.3	3.19

Quilter Management Co. Ltd.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants. SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	92.9	99.9	[illegible]	1.46
Do. Accum.	97.8	104.1	[illegible]	1.46
TSB Extra Income	82.5	87.8	[illegible]	6.52
Do. Accum.	91.0	97.7	[illegible]	6.52
TSB General	116.1	122.5	[illegible]	3.51
Do. Accum.	188.0	200.0	[illegible]	3.51
TSB Gilt & Fxd Int.	46.7	48.7	[illegible]	9.50
Do. Accum.	57.6	60.0	[illegible]	9.50
TSB Income	157.6	167.7	[illegible]	5.26
Do. Accum.	237.7	252.9	+0.4	5.26
TSB Pacific	101.1	107.6	+2.5	0.61
Do. Accum.	102.7	110.4	[illegible]	0.61
TSB International	226.5	241.0	[illegible]	1.86
Do. Accum.	265.7	293.4	+7.3	1.86
Natural Resources	45.0	47.9	[illegible]	2.82
Do. Accum.	45.4	48.3	[illegible]	2.82
TSB Slctd. Opps.	45.1	48.0	[illegible]	2.60
Do. Accum.	48.5	51.6	[illegible]	2.60

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	66.7	67.3	+11.7	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse Rd, Aylesbury Bks (0296) 5941

American Eagle	66.1	70.9	+1.5	0.77
Australia	29.1	31.3	+0.7	0.10
Commodity	89.0	94.0	+0.8	1.83
Energy	37.7	42.5	+0.4	0.82
Equity	96.7	101.1	+0.9	3.84
European Spec. Sits	51.6	55.2	+0.1	0.91
Extra Income	88.0	94.1	+0.2	7.70
Financial	197.4	210.2	+0.6	2.93
Gilt Capital	218.3	228.6	-1.0	3.25
Gilt Income	103.1	108.0	-0.7	8.87
Gold Income	61.5	65.7	....	2.33
Gold Acc.	111.0	118.7	....	2.33
Income	56.7	61.0	+0.5	6.14
Japan	44.7	47.7	+1.8	0.10
Malaysia & Singapore	23.2	24.7	+0.6	1.19
Pacific Income	62.4	66.7	+2.1	0.95
Pacific Re Inv	75.6	80.9	+2.6	8.95
Preference Share	15.8	17.1	....	10.13

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.01	—		—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$13.50	—		—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.12	—	+0.15	—
Dynamic Gwth Fd.	$8.24	—	+0.13	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
77 London Wall, London EC2N 1DB			01-588 1815	
Deposit	11.9	—	—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fnd	11.70	8.79	12.99	6mth
7-day Fnd	11.48	8.96	13.25	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	11.25	8.78	12.95	6-Mth
7-day Fund	11.75	9.01	13.29	6-Mth
Dollar	6.81	—	—	6-Mth
Money Mngt Acct	11.375	8.50	12.71	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq Edinburgh, EH2 4DF			031-225 8403	
Full Service Chr Acc.	11.25	8.00	11.93	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	11.875	8.875	13.30	Qtr
Mth. Int. Chq.	11.75	8.76	13.30	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	11.00	8.22	12.18	Mth
Barclays Prime Account				
PO Box 125, Northampton			0604 252891	
High Int. Cheque	11.0	8.25	12.32	Qtr
Britannia Investment Services Ltd.				
29 Finsbury Circus, EC2M 5QL.			01-588 2777	
Cater Allen	11.38	8.50	11.9871	Mth
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH.			01-248 3999	
Sterling	11.13	8.32	12.34	Mth
U S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove			01-748 9251	
Cheque Plus	—	10.00	14.83	Qtr
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.26	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE.			0803 862271	
Money Mkt Acc	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd				
9 Henrietta Place W1M 9AG			01-631 3313	
Cheque Deposit Acc.	11.50	8.59	12.98	Mth
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH			01-628 8060	
Money Mkt. Cheque Acc.	11.0	8.22	12.10	Mth
Lloyds Bank PLC				
71 Lombard St, London, EC3P 3BS.			01-626 1500	
High Int Cheque	11.25	8.25	…	Qtr
Lombard North Central PLC				
17 Bruton St, W1A 3DH.			01-409 3434	
14-Day Notice	11.750	8.783	12.547	—
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford.			0245 51651	
H.I.C.A.	11.125	8.31	12.35	Daily
Midland Bank plc				
PO Box 2, Sheffield.			0742 20999 Ext 8738	
High Int Chq	10.70	8.00	11.92	Qtr
Provincial Trust (formerly Cheulartons)				
30 Ashley Rd, Altrincham, Cheshire			061-928 9011	
Cheque Acc	12.00	8.97	13.59	Mth
Royal Bank of Scotland plc				
24 Lombard St, London EC3V 9BA			031-557 0201	
Premium Account	11.0	8.22	12.27	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB.			0708 66966	
H.I.B.A.	10.83	8.10	12.05	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol.			0272 732241	
Demand Acc	11.40	8.52	11.74	Qtr
Money Acc	11.70	8.75	13.09	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth			0705 827733	
Special Acc.	11.375	8.50	12.84	Mth
Over £10,000	11.625	8.69	13.14	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL1 1SE			0752 24141	
High Int Chq Acc	11.87	8.88	13.13	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	16
BAT	32
BOC Grp	25
BSR	16
BTR	52
Babcock	14
Barclays	48
Beecham	32
Blue Circle	45
Boots	15
Bowaters	20
Brit Aerospace	33
Brit. Telecom	11
Brown (J.)	3
Burton Ord	39
Cadburys	14
Charter Cons	18
Comm Union	19
Courtaulds	12½
Debenhams	17½
Distillers	28
FNFC	8½
Gen Accident	45
Gen Electric	17
Glaxo	85
Grand Met	25
GUS 'A'	60
Guardian	60
GKN	17
Hanson Tst.	17½
Hawker Sidd	38
ICI	60
'Imps'	18
Jaguar	28
Ladbroke	24
Legal & Gen	50
Lex Service	28
Lloyds Bank	45
Lucas Inds	25
Marks & Spencer	11
Midland Bk	30
NEI	8
Nat West Bk	60
P & O Dfd	36
Plessey	17
Polly Peck	26
Racal Elect	18
RHM	11
Rank Org Ord	32
Reed Intnl	50
Sears	8
TI	20
Tesco	20
Thorn EMI	35
Trust Houses	13
Turner Newall	10
Unilever	85
Vickers	19
Property	
Brit Land	12
Cap Counties	18
Land Secs	25
MEPC	28
Peachey	22
Samuel Props	14
Oils	
Brit. Oil & Min.	4
Brit Petroleum	42
Burmah Oil	18
Charterhall	6
Premier	5
Shell	60
Tricentrol	18
Ultramar	19
Mines	
Cons Gold	44
Lonrho	14
Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1984: 358.8 and for June 1985: 376.4.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
316	204	Peko-Wallsend 50c	237	−4	19c	1.6	1.9
11½	6½	♥Pelsart Res NL	9½		—	—	—
19½	7	♥Portman Mining	17½	−1	—	—	—
23	11	♥Queen Margaret Gold	19	−1	—	—	—
310	252	♥Renison 50c	275		Q10c	0.4	1.8
60	38	♥Samantha Expl'n. NL	48	+2	♦—	—	—
31	9	♥Samson Expl'n. NL	10½		—	—	—
144	58	♥Sons Gwalia NL	144	+9	ZQ7½c	—	2.7
27½	13	♥Sthn. Goldfields	16½	−½	—	—	—
16	8½	♥Southern Pacific	8½	−½	—	—	—
122	70	♥Southern Res.	121	−1	—	—	—
9	3½	♥Southern Ventures 25c	6½		—	—	—
30	16	♥Spargos Expl'n.	26		—	—	—
23	6½	♥Swan Res 20c	7		—	—	—
16	6½	♥Thames Mining A$0.25	11		—	—	—
62	22½	♥Utd Goldfields NL	51½		—	—	—
18	6½	♥West Coast 25c	17	+½	—	—	—
13	9	♥Western Cnt 50c	15		—	—	—
247	182	Westn. Mining 50c	215	−6	Q4c	—	0.9
182	122	♥Whim Creek 20c	154	+2	Q5c	♦	1.7
36	13	♥Windsor Res NL	36		—	—	—
10½	4½	♥York Resources	4½		—	—	—

Tins

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
290	212	Ayer Hitam SM1	230		vQ140c	1.0	17.8
250	168	Geevor	172		12.0	♦	10.0
175	90	Gopeng Berhad M$0.50	110		g$0.15	♦	5.1
650	650	Hongkong	650#		—	—	—
27	11	Jantar 12½p	22		2.5	♦	17.0
55	34	Malaysia Mng. 10c	37		v06c	♦	4.7
38	17	♥Pahang	17		E—	—	—
650	200	Pengkalen 10p	250		—	—	—
275	165	Petaling SM1	175		v060c	♦	10.0
275	185	Sungei Besi SM1	190		rQ43c	♦	6.9
285	180	Tanjong 15p	180		c5.5	—	2.8
250	90	♥Tongkah H. Tin SM1	90		vQ23c	1.2	7.9
305	190	Tronoh SM1	205		vQ54c	1.1	9.1

Miscellaneous

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
55	30	Anglo-Dominion	30		—	—	—
48	30	♥Anglo Utd. Dev	33#		—	—	—
350	117	♥Centennial Min'ls.	130		—	—	—
120	65	♥Colby Res Corp.	65		—	—	—
550	325	Cons. Murch. 10c	325	−5	tQ100c	1.4	10.5
40	24	‡Ennex Int. Ir10p	25		—	—	—
215	115	Hampton Areas 10p	122xd	+2	3.75	♦	4.1
260	135	♥Highwood Res.	170	+5	—	—	—
£22½	£17½	Homestake Mining $1	£19½	−¼	Q30c	—	7.4
310	190	♥McFinley Red Lake	230	+5	—	—	—
300	195	♥Musto Explorations	273	−5	—	—	—
55	23	♥New Sabine Res C$1	45		—	—	—
375	245	Northgate C$1	309		—	—	—
685	533	RTZ	538	+5	20.0	2.7	5.3
£145½	£116½	Do. 9½pcLn '95-2000	£119	+1½	Q9½%	14.0	8.0
£14½	£10	♥Tara Expln $1	£11	+¼	—	—	—

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

INSURANCES

LEISURE

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- 7 Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- 9 No par value.

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. 2 Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	96	.....	Arnott	180	.....
Craig & Rose £1	700	.....	CPI Hldgs	56	.....
Finlay Pkg. 5p	61	.....	Carroll Inds.	143	+4
Higsons Brew	235	.....	Dublin Gas	72	.....
Holt (Jos) 25p	720	.....	Hall (R. & H.)	56	−2
IoM Stm. £1	85	.....	Heiton Hldgs.	18	.....
IRISH			Irish Ropes	48	.....
Fund 11¼% 1988	£101⅛	−⅛	Jacob (W.& R.)	80	.....
Nat. 9¾% 84/89	£97¼	−⅛	Unidare	87	.....
Fin. 13% 97/02	£109½	−⅛			

"Recent Issues" and "Rights" Page 12

FINANCIAL TIMES
Saturday August 3 1985

Accord reached on Yugoslav debt

BY ALEXANDER NICOLL

YUGOSLAVIA YESTERDAY reached agreement in principle with its leading bank creditors on the interest rates it would pay in a $3.5bn (£2.6bn) multi-year debt rescheduling package. Negotiations have been going on since last year.

The agreement, announced after four days of talks in London, fell short of the breakthrough for which the two sides had hoped.

They are under pressure to strike an accord because the International Monetary Fund has threatened to withhold an SDR 80m (£59m) instalment of its SDR300m loan to the country if progress is not made.

Such a move could have Yugoslavia's economic programme and existing debt arrangements to unravel.

Both sides described the London talks as fruitful. The Yugoslav team was led by Mr Vlado Klemencic, Finance Minister, and Mr Cvitan Dujmovic, the country's chief debt negotiator.

A joint statement issued afterwards said: "The economic elements of the package, including pricing, have been agreed in principle."

Members of the bank co-ordinating committee, headed by Manufacturers Hanover Trust, were returning to their home bases "to study a proposal made by Yugoslavia and to decide on that proposal or another pricing alternative which will give Yugoslavia similar economic benefits."

Each side is understood to have made concessions on the interest rate issue. Yugoslavia had been seeking to pay 1 per cent over Eurocurrency deposit rates, but the banks had been holding out for 1¼ per cent.

All other aspects of the deal have been agreed, including the methods of monitoring Yugoslav economic performance.

Further contacts are expected between the two sides over the next two weeks, after banks have considered the pricing options. Debt to be rescheduled under the package falls due between this year and the end of 1988.

Peru has announced postponement of all repayments due on its multi-billion dollar debt due to foreign commercial banks until January 31, Hugh O'Shaughnessy reports. The Peruvian government is to invite the steering committee of creditor banks to Lima for talks. In Paris the group of 14 major commercial banks involved in lending to the developing world completed talks yesterday with the World Bank, the International Monetary Fund and other international financial institutions. Those taking part made no comment on their discussions. Page 2

Ladbroke buys Arthur Bell stake

By Lisa Wood

LADBROKE, the leisure and gaming group, emerged yesterday as a surprise player in the Guinness £292m takeover battle for Arthur Bell and Sons with the company announcing it had a 3.25 per cent stake in the Scotch whisky company.

Mr John Jarvis, chairman of Ladbroke Hotels, said the group had no intention of making an offer for the company but, as the second largest hotel operator in the UK, Ladbroke was interested in companies with important hotel busi-businesses. Mr Jarvis spoke of "trading opportunities" between Ladbroke and whoever owns Bell.

Bell acquired the Gleneagles Hotel group in 1984 for £27m. The four hotels in the group include the five-star Gleneagles Hotel in Perthshire and the Piccadilly Hotel in London.

Guinness repeated yesterday that it intends to consider how the hotels can best be developed "after Bell's joins the Guinness group.

It is understood, however, that interest has been expressed by several leading hoteliers should Guinness take over Bell and decide to dispose of them. There has also been speculation on whether Bell might dispose of its hotels in a bid to fight off Guinness.

Mr Raymond Miquel, chairman of Bell said: "We have not discussed the hotel operation with Ladbroke. We were informed today by Ladbroke of its shareholding and welcome them as a new shareholder."

Guinness repeated yesterday that its offer remained on the table. It is offering nine of its shares for 10 of Bell's with a 225p a share cash alternative. Guinness said: "It compares with a price of around 140p for Bell's shares just prior to our bid and by any measurement it is a very full offer.

Guinness shares closed last night at 247p, up 1p. Bell closed at 237p, up 5p.

Guinness buys McColl shares, Page 8

THE LEX COLUMN

Sir Kenneth rings off

Given the collapse of profits immediately after a very unwelcome rights issue, there was never any serious question of Sir Kenneth Corfield being able to hang on as chairman and chief executive of STC. Once the pattern had been set by Mr Peter Leister's departure from Thorn EMI a month ago, the end was only a matter of time. Pressure from institutions, probably from STC's largest shareholder ITT, and certainly from non-executive directors within the STC boardroom, will have made it clear that STC could not expect to regain its City respectability without a new management.

Finding a credible chief executive is the most urgent priority, and one which has no doubt been exercising the STC board for some weeks past. There are not so many suitable candidates floating around the British corporate scene; if there were, beads might be rolling elsewhere in the electronics sector. Whoever is appointed at STC will need to be stronger on tight management than on global strategies, at least to begin with; STC has been over-strategised—and over-stretched—already.

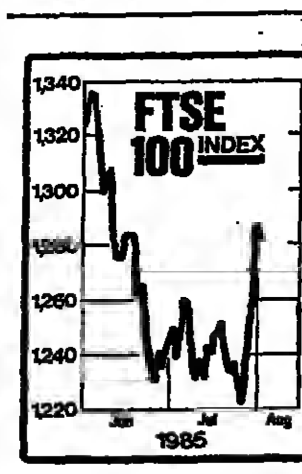
While the board is looking around, it can do two important things to help the morale and image of the company. STC's share price has been showing for some time the market's disbelief in a maintained dividend—that is the meaning of a 12 per cent yield; Sir Kenneth's departure should be treated as an opportunity to cut the dividend next week. If the company has any coherence it is as a cash-hungry information technology group; investors in that sort of proposition do not require double-figure yields.

In addition, STC should be careful to follow the example of Thorn EMI and minimise the cost to its shareholders of Sir Kenneth's resignation. Simply for consistency, STC should now follow up its past optimism in the way of performance-related payment and stock options by an equally performance-related copper handshake.

Markets

The direction of the London equity market could for most of this week have been deduced from a foreign exchange dealer's screen. ICI's second-quarter statement had driven home the message that a strong pound is bad for profits and until yesterday the equity market could think of little else but sterling. As the pound slipped against the dollar, so the All-Share Index recovered.

Index fell 8.8 to 951.1



Yesterday the two finally broke ranks. At the end of such a strong first leg to the account, a little profit-taking was not to be wondered at but an 8.8 per cent fall in the 30-share Index was, by recent standards, an odd accompaniment to a sliding pound.

The problem, in the market's eyes, is interest rates. Even assuming that the hopes of a fall in sterling M3 are confirmed by Tuesday's money supply figures, there seems little prospect of a further cut in base rates so long as sterling is trading below $1.40. However much the CBI may plead for cheaper money and a lower pound, the Treasury is unlikely to risk repeating the mistakes of the past 12 months, when a hasty reduction in base rates sent sterling shooting off towards parity.

Lloyds Bank

In drawing attention to the bottom line—attributable earnings—Lloyds is certainly able to score a point off its less fortunate competitors. After a larger provision for bad debts and a 46 per cent tax charge, Lloyds can still post an increase of more than 40 per cent in earnings per share. The emphasis clearly also has something to do with the rather less impressive growth. In the pre-tax total, where for the half year to June Lloyds produced a 26 per cent improvement to £264m; it is only natural to make most of the figure which shows the company to best advantage.

Yet there is a serious point too. After years of trying to convince the market that the low tax-charges created by leasing made after-tax earnings the true measure of profit, the banks seemed to have lost that battle when the 1984 Budget retrospectively showed much of their retained profits to have been an illusion. Now that the tax base is going to become much more uniform, between banks and everybody else as well as between banks themselves, the reported earnings will begin to measure the differences in underlying profitability.

On that basis Lloyds can make a case for having its shares rather more generously rated; if Lloyds had the same tax charge as Midland it would still be on the lower multiple, yet the Latin American risks are much the same. And Lloyds, with a rapidly rising and handsomely covered dividend, still yields about two points more than Barclays.

Burton/Debenhams

But for House of Fraser, the chairman of Burton Group might this morning be suffering a slight headache induced by an excess of champagne. Instead, the future ownership of Debenhams remains tantalisingly unclear. The offeror's advisers were making plenty of confident noises last night but they had not amassed quite enough pieces of paper to claim victory.

The chairman's loss is the shareholder's gain. Any shopper waving a Debenhams share certificate is guaranteed a more than usually friendly reception at all Burton stores this morning, while Debenhams has arranged for its staff to smile at anyone with a withdrawal form. The important thing is not to confuse the two. If in doubt, shop at Harrods.

The revised Burton offer would in any other circumstances have been a certain knock-out but the combination of Fraser's 25 per cent and a small army of loyal Debenhams shareholders may be just enough to tip the balance away from Burton. Failure would be a costly matter. Burton has borne the cost of two underwritings, while enough has been spent on advertising to make the visages of Messrs Halpern and Conran the most familiar in the land.

The Debenhams share price closed last night at 326p, almost 80 per cent above the adjusted level at which it was trading six weeks before the bid. While there is no prospect of its falling back that far, the downside risk in the event of failure is substantial. Any undecided shareholders out on the High Street today would do well to drop into Top Shop.

Montgomery Ward ends mail order business

By William Hall in New York

MONTGOMERY WARD, the large U.S. department store group which pioneered the mail order industry, is to end its world famous catalogue. The move will cause the loss of 5,000 jobs and the closure of 200 of the company's speciality catalogue stores.

The first mail order catalogue in the U.S. was invented by Mr Aaron Montgomery Ward in 1872. Called The Great Wish Book, it quickly grew from 24 pages to a 500-page tome which weighed several pounds and became an indispensable tool for millions of rural Americans unable to afford shopping trips to New York or Chicago.

Although Montgomery Ward's early success was built on its mail order business, the group was subsequently pushed into second place by Sears Roebuck, which became the world's biggest retailer.

In recent years Montgomery Ward's mail order business has been hit by changing consumer patterns and rising overheads. It has lost $257m (£189m) over the past five years even though its annual turnover is running at more than $1.3bn and 5m customers regularly purchase items from the company's annual selection of 12 glossy catalogues.

At its Chigaco headquarters yesterday, Montgomery Ward said it was discontinuing its catalogue business "as part of a broad corporate plan to eliminate unprofitable operations and focus corporate and financial resources on accelerating its speciality store retailing strategy."

The group said it had not ruled out the possibility of selling the business, the second largest of its kind in the U.S., if a buyer were to appear.

The ending of Montgomery Ward's catalogue is the latest sign of aggressive efforts being taken by Mobil Oil, Ward's parent, to turn round one of America's best known department stora groups.

In spite of annual sales of $6bn Montgomery Ward has been losing money for most of the time since it was acquired by Mobil. Earlier this year Mobil announced it was writing off $500m on its investment in the retailer and was installing new management in preparation for sale to a new owner.

Mobil hired Mr Bernard F. Brennan, brother of Mr Edward A. Brennan, Sears Roebuck's president, to turn Montgomery Ward round.

Canon shifts copier production in bid to ease EEC friction

BY CARLA RAPOPORT IN TOKYO

CANON, one of Japan's leading camera and office equipment manufacturers, is shifting production of all the copiers it sells in Europe to its French and German plants in an attempt to ease trade friction between Japan and the European Community.

The move came as the European Commission in Brussels announced an anti-dumping inquiry into Japansese photocopier exports to the EEC. The Commission said yesterday that M Willy de Clerc, Commissioner for External Relations and Trade, had ordered the investigation following charges of systematic price undercutting by Japanese photocopier manufacturers.

European manufactures say Japanese exports to the EEC have risen 25 per cent in the first quarter of this year giving them an 85 per cent share of the $1bn (£714m) EEC market. Five years ago the Japanese share was 50 per cent.

Canon said yesterday that it would spend between Y2bn (£612m) and Y3bn to construct a new plant next to its existing plant in Giessen, West Germany, to boost output from about 3,000 copiers a month to 10,000 by the end of next year.

In France, Canon intends to boost production at its Liffré plant from 7,000 to about 10,000 copiers a month.

Its current output in Europe, 10,000 copiers a month, accounts for about 70 per cent of its European sales. As a result, the production capacity increases assume that Canon will achieve a 30 to 40 per cent increase in annual sales by the end of next year. Canon executives said, however, that some of the output of the European plants would be sent to the Middle East and Africa.

The initial protest to the Commission was lodged by the Committee of European Copier Manufacturers which claims that this year's sharp increase has been achieved through significant, though apparently unspecified, dumping margins if Japanese domestic prices are compared with those charged in the EEC.

The committee alleges that the Japanese export drive has put 10 European photocopier makers out of business and cut employment in the industry by 20 per cent. The widespread reduction in profit margins, it says, will cause severe difficulties for a business which requires high returns to finance heavy research and development costs.

U.S. ruling on Japan microchips

BY PAUL TAYLOR IN NEW YORK

U.S. MAKERS of 64K Ram (random access memory) chips — widely used in the computer and electronics industry — are in danger of being injured by a flood of cheap Japanese imports, a trade body has ruled.

The U.S. International Trade Commission's unanimous provisional ruling, if confirmed, will open the way for the U.S. to impose countervailing duties on Japanese chipmakers for the first time.

It is also likely to increase the pressure on the U.S. Administration to negotiate an agreement with Japan so as to give U.S. chip-makers greater access to the Japanese market, as has been sought in a separate trade petition filed by the U.S. Semiconductor Industry Association (SIA) in June.

The ITC ruling came in response to an anti-dumping petition filed five weeks ago by Micron Technology, a chipmaker at Boise, Idaho. The company broke ranks with other large U.S. semiconductor manufacturers, which have refrained from explicit calls for protection against imports, in spite of the industry's recent plight.

Micron Technology's petition seeks a 94 per cent duty on Japanese-made imports of 64K Ram chips which have captured at least 60 per cent of the U.S. market for these devices, according to industry estimates.

Tha company named seven Japanese companies—Fujitsu, Hitachi, Matsushita Electric, Mitsubishi, NEC, DKI and Toshiba—and accused them of "predatory" pricing in the U.S. in that they had reduced their prices for 64K Ram chips to 70-75 cents each from $2.30 (£1.68) each, the prevailing price in the U.S. and Japan last October.

Micron technology, which is not an SIA member, also claimed that its Japanese competitors' actual production costs were $1.36 per chip, so it alleged that the companies were dumping the product in the U.S., in violation of trade laws there.

The ITC provisional decision means that the case will now be referred to the Commerce Department, which is expected to recommend a temporary duty before it sends the issue back to the commission for a final ruling, which would then go to President Ronald Reagan for approval.

Interest rates

Continued from Page 1

However, a series of incidents has undermined confidence: a gloomy growth and jobs forecast from the Confederation of British Industry, anxieties about future oil price levels, bad unemployment figures and a fear that further interest rate cuts might be imminent after two base rate cuts in two weeks.

Certainly, the combination of a strong pound and the money supply figures, due on Tuesday and expected to be good, suggested a further cut in interest rates, backed up by softening interbank rates.

But the sharp weakening of sterling has been accompanied by rising interbank rates, ruling out an early cut in base rates. The three-month interbank rate closed another $\frac{1}{16}$ point up at $11\frac{7}{16}$.

This will upset the CBI, which has been urging a further cut since its gloomy forecast on Tuesday. On the other hand, the CBI, particularly its members predominantly dependent on export markets, have been urging a substantial fall in the exchange rate.

Sterling closed in London at $1.3715 compared with $1.3845 on Thursday night and $1.4290 at the beginning of the week. The weakening against the D-Mark has been equally sharp, falling from DM 4.03 on Monday to DM 3.90 on Thursday and DM 3.8700 at yesterday's close.

The Treasury announced yesterday that Britain's gold and foreign currency reserves fell slightly in July for the first time in five months.

The underlying fall, net of new borrowing and repayments, was £6.5m after a £90m rise in June. July's fall is partly accounted for by a fall in the value of gold.

Continued from Page 1

ITN

Moscow, Belgrade, Czechoslovakia and Libya had already claimed the decision proved the external services were a "tool of the British Government."

"Governments who never liked what we have been saying on the air are going to say: 'Ha! You've always said that you were independent of government but now your cover has been blown'." Mr Kark said.

Foreign television stations are showing considerable interest in screening the programme. BBC Enterprises is thought unlikely, however, to sell a programme abroad that had not first been screened in the UK.

Meanwhile Mr Bill Cotton, managing director of BBC Television, went to the headquarters of BBC documentaries yesterday to criticise documentary producers who wrote to The Times complaining about the governors' decision.

The producers, who will meet on Monday to consider further action, argued that the decision should be reversed—"otherwise they will find themselves governing an organisation disaffected at all levels.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:		
Barclays	398	+ 6
Bell (A.)	237	+ 5
Berkeley Expln.	80	+ 10
Brit. Aerospace	350	+ 20
Britoil	217	+ 4
Brown & Tawse	129	+ 7
Bryson Oil & Gas	70	+ 10
Burton	462	+ 8
CML Microsystems	180	+ 10
Cronite	41	+ 6
Debenhams	326	+ 9
Dowty	189	+ 13
Ferranti	128	+ 6
Freshbake Foods	80	+ 6
Jaguar	265	+ 6
Phillips Patents	58	+ 6
RHM	149	+ 4
Smiths Inds.	196	+ 9
Sons of Gwalia	144	+ 9
Tavener Rutledge	58	+ 12
The Times Veneer	42	+ 5
Volex	212	+ 12
FALLS:		
Treas. 12¼pc 1990	£105$\frac{9}{16}$	− $\frac{7}{16}$
Treas 11¾pc 2003-07	£110⅜	− ⅜
BOC	290	− 6
Lloyds Bank	393	− 7
NatWest Bank	638	− 17
Phoenix Timber	102	− 16
TI	327	− 10

WORLDWIDE WEATHER

UK today: Sunny intervals and showers, some heavy. Cool. Outlook: Sun, then rain.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	26	79	Corfu	S	33	91	Luxmbg.	F	17	63	Peking	F	30	86
Algiers	S	30	86	Dallas†	S	26	79	Madeira	F	23	73	Perth	S	17	63
Amsdm.	F	17	63	Dublin	S	15	59	Madrid	S	29	84	Prague	F	17	63
Athens	S	35	95	Dbrvnk.	F	27	81	Majorca	S	29	84	Reykjvk.	F	15	59
Bahrain	S	37	99	Edinbgh.	F	18	64	Malaga	S	28	82	Rhodes	S	33	91
Barclna.	S	25	77	Faro	S	30	86	Malta	S	35	95	Rio J'o		—	—
Beirut	S	29	84	Florence	F	29	84	M'chstr.	F	19	66	Rome	S	30	86
Belfast	F	16	61	Frankfr.	F	20	68	Melbne.	F	11	52	Salzbrg.	C	17	63
Belgrd.	F	27	81	Geneva	S	23	73	Mx. C.		—	—	S F'cisco†	F	13	55
Berlin	C	20	68	Gibraltar	S	24	75	Miami†	S	24	75	S'tiago		—	—
Biarritz	S	23	73	Glasgow	R	14	57	Milan	S	26	79	Stckhm.	F	21	70
Bmghm.	C	15	59	G'rnsey	C	16	61	Montrl.†	S	16	61	Strasbg.	F	22	72
Blackpl.	F	16	61	Helsinki	F	19	66	Moscow	C	17	63	Sydney	S	15	59
Bordx.	F	22	72	H Kong	F	30	86	Munich	F	19	66	Tangier	S	28	82
Boulgn.	F	16	61	Innsbrk.	F	19	66	Naples	F	28	82	Tel Aviv	S	32	90
Bristol	R	15	59	Invrnss.	F	17	63	Nassau		—	—	Tokyo	S	30	86
Brussels	F	19	66	I o Man	C	15	59	Nwcstl.	F	19	66	T'ronto†	S	15	59
Budpst.	R	20	68	Istanbul	S	30	86	N Delhi	F	33	91	Valencia	S	28	82
Cairo	S	36	97	Jersey	C	17	63	N York†	S	19	66	Venice	S	27	81
Cardiff	R	15	59	L. Plms.	S	25	77	Nice	S	26	79	Vienna	R	17	63
Cape T.	R	10	50	Lisbon	S	29	84	Nicosia	S	30	86	Warsaw	C	21	70
Chicg.†	S	13	55	Locarno	S	27	81	Oporto	S	23	73	Zurich	F	21	70
Cologne	C	19	66	London	R	16	61	Oslo	F	18	64				
Conhgn.	R	17	63	L. Ang.†	F	17	63	Paris	F	21	70				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Lloyds Bank profits rise 26% at half-way stage to £264m

BY DAVID LASCELLES, BANKING CORRESPONDENT

LLOYDS BANK yesterday reported profits of £264m pre-tax for the first half of the year, rounding off the Big Four clearers' interim season in which they unveiled record total earnings of £1.2bn.

Lloyds' profits were 26 per cent higher than in the first half of last year, which was in line with expectations. But, in line with the weak stock market, Lloyds shares shed 7p to close at 393p.

Sir Jeremy Morse, chairman, said the improved earnings had been achieved in spite of intensified competition and volatility in the banking markets, and the need to make further substantial provisions against bad and doubtful debts.

He announced that Lloyds, smallest of the Big Four, will increase its interim dividend by 19 per cent, which is much more than the other banks. Lloyds had a high dividend cover, he said, and had sufficient resources to increase its capital and reward its shareholders.

The improvement came largely from bigger returns on lending activities and higher fee income. Profits increased particularly strongly in overseas business, which has been going through a bad patch and where the bank's relatively large exposure to the Third World debt crisis has necessitated heavy provisions. Lloyds made more provision in the first half of this year because of uncertainties still surrounding overseas borrowers.

BIG FOUR INTERIM RESULTS

	Pre-tax profits £m	% change on 1984	Provision for bad debts £m	% change on 1984
Barclays	431	40	250	8.2
NatWest	354	20	151	−5.6
Midland	151	116	182	−4.7
Lloyds	264	26	126	9.6

Mr Brian Pitman, group chief executive, said Lloyds wanted in future to emphasise its earnings after rather than before tax, breaking with a long-standing banking tradition.

He said the 1984 Finance Act had removed many of the opportunities for banks to shelter earnings from tax through their leasing business. The post-tax figure therefore bore a closer resemblance to the bank's underlying performance.

It also showed how much the bank had earned to pay out to shareholders and plough back into the business. Since U.S. banks use a post-tax figure, it would allow better comparisons between the performance of UK and U.S. banks.

Lloyds had taken its decision without consulting widely within the industry. But it hoped other banks would follow its example.

Lloyds' profits after tax were £141m, an increase of two-fifths over last year's first half. The group's post-tax return on its equity, which it now considers to be its key measure of performance, was 13.5 per cent, up from 10.9 per cent last year.

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WEEKEND FT

Saturday 3rd August 1985

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

Hiroshima — the fading reality

Forty years ago the city was shattered by the first atomic bomb. Ten years from now, will anyone really care? Jurek Martin reports . . .

OF ALL the many anniversaries dotted across the landscape of 1985, none surely matters more than August 6. At about 8.16 on a clear, hot morning 40 years ago, the city of Hiroshima was reduced to rubble by the first atomic bomb ever unleashed by man on man. This act alone transformed Hiroshima — until then, a medium-sized and mostly military town in the Chugoku region of the western part of Japan's main island of Honshu — into not merely a place but a state of mind; into something that was, and is, not simply Japanese but unequivocally universal. To go there now is a very personal experience and, for some, even an essential one.

On Tuesday, the anniversary of the Bomb will be commemorated, if that is the appropriate word, with all due solemnity, especially and movingly in Hiroshima itself. Yet to visit Hiroshima to talk to those who survived the Bomb and rebuilt, with difficulty, both their lives and their city; and to converse, both in Hiroshima and elsewhere in Japan, to the leaders and followers of the peace movement to which Hiroshima is a symbol, produced, at least in me, a curious and almost inexplicable sensation in which awe mingled uneasily with disappointment, even dissatisfaction. For, whatever Hiroshima means to the world at large, the fact remains that, in many ways, the place is so full of contradictions.

On the one hand, it is a city officially dedicated to the cause of peace; on the other, the principal interest of its citizens seems to lie with the Carp baseball team. It has impressive and moving monuments to the awful fate that befell it 40 years ago; yet the urban appearance, even soul, is quintessentially Japanese in its late 20th century commercialism. It seeks to protect and nurture those who suffered physically and mentally from the Bomb; yet, mostly out of fear, it *condones* discreet discrimination, in marriage and the work place, against its *hibakusha* (survivors).

It is a symbol of the peace movement, but the Japanese "peace army" itself is divided into innumerable quarrelling battalions to whom Hiroshima seems almost an irrelevance. Hiroshima, along with Nagasaki (devastated by the second Bomb three days later), ought by all logic to mean something to the rest of Japan; but, if they do, the interest is not always readily apparent in a nation which seems to have found other values.

The questions are not easily put and the answers consequently are hard to find. Of the latter, there may be none better than that provided — admittedly, in terminology all too familiar to any student of Japanese society — by Professor Masatsugu Matsuo, of the Institute for Peace Science at Hiroshima University. "There is in Japan," he says, "this distinction between *tatemae* and *hon*." Roughly translated, one means the official position, the company line, the public face, the other the true feelings that lie beneath which may not be easily expressed.

Thus *tatemae* means that Hiroshima is indeed "the peace city," dedicated in all its fibre to ensuring that the awful horror never happens, anywhere, again. "Everyone, from the mayor down, speaks of it," Professor Matsuo adds. It has its own observances, its litanies and its shibboleths, and only the most hardened cynic can doubt its sincerity. *Hon* is more diffused and complex but, in Professor Matsuo's view, it is the product of general social conditioning, of which living in "the peace city" is but one of many factors. Thus, Hiroshima can be, as it indisputably is, simultaneously "pro peace" and pragmatic and, as it again is, as conservative and commercial as another part of Japan.

Certainly, modern Hiroshima looks and feels like the rest of mostly faceless urban Japan. There was some brief debate after the war about simply moving it somewhere else but cities, even in ruins, are not easy to budge. Hiroshima did get what amounts to its own reconstruction charter in 1949 but, with 117 other Japanese cities devastated by conventional bombing, neither it, nor Nagasaki, can be said to have received unduly favourable treatment in the allocation of scarce national resources after the war. A factor in this might well have been the conscious conspiracy of silence, on the part of both U.S. Occupation and Japanese authorities, about even discussing the practical consequences of Hiroshima and Nagasaki. It took, for example, more than 10 years before the government established a special programme to handle those suffering from radiation sicknesses.

So, the city grew again, hodgepodge for the most part, making do as best it could until the great economic revival from the 1960s brought it back into the commercial mainstream. Today, it houses 1.032m people, the 11th largest conurbation in Japan, and its tentacles are still annexing outlying towns. Its recent growth, though in line with the general flight from the countryside, has been impressive. Its population was 899,000 in 1980, 541,000 in 1970, 432,000 in 1960, 285,000 in 1950; in August 6, 1945, it was about 350,000; at the end of that year it was 136,518.

Hiroshima's distinctive features should not, indeed cannot, be overlooked. The Peace Memorial Park, designed 30 years ago by Kenzo Tange, perhaps Japan's best contemporary architect, lies on a 12 hectare site corresponding roughly to the old downtown that took the brunt of the Bomb. The city's best known physical symbol, the Atomic Bomb Dome, the skeleton of the old industrial promotions building, still stands, preserved, gaunt and impressive; Heiwa Odori (Peace Avenue) cuts a broad swathe down the middle, along the path of the old wartime firebreak; landmarks of the absolute destruction of August 6 are scattered around town; the peace museum itself, with the relics of destruction, is sobering, to put it mildly. All these, and more besides, are the products of conscious attempts by successive city governments, especially the influential post-war Mayor Shinzo Amai, to ensure that Hiroshima did not become just any other city.

Physically, however, it is indistinguishable apart from its monuments. It never really had what amounted to a master reconstruction plan. It was rebuilt more according to need than design

Hiroshima is different in one key physical sense, though. It had been, ever since the Meiji Restoration in the 1860s, first and foremost a military town. It served as headquarters for the Imperial Army in the Russo-Japanese war of the 1890s. In the last war, far from being a pastoral paradise it was geared to fight; a major command centre and base camped firmly in the middle of the city.

Yoshiki Yamasaki, who was later to become president and now chairman of Mazda, the car company, recalls that in August 1945 the firm — then known as Toyo Kogyo and then, as now, Hiroshima's biggest civilian employer — was in the business not of producing transport vehicles but rifles, pistons and connecting rods for fighter aircraft. Mitsubishi was on a similar war footing, as were the thousands of small military supply companies. Even junior high school students were deployed on civil defence duties, though before August 6 the city had been left largely untouched by the U.S. Air Force.

Hiroshima remains a Mazda town but the company now makes cars, not weapons. It accounts for 23 per cent of the prefectural output and 50 per cent of its exports, which also run to footballs, kitchen appliances and *tofu* (bean curd). Mazda's sense of identity with Hiroshima is cemented by its discreet ownership of the beloved Carp baseball team. Its main factory, 5.4 km from the hypocentre and shielded from the blast by a small hill, survived the Bomb pretty well intact (Yamasaki, then an assistant manager in the machine tools division, remembers the windows being blown out and then days of chaos as he hunted through Hiroshima for his relatives; and how the Mazda plant became, by turns, an emergency hospital, an administrative centre and even, briefly, home for the local newspaper). But Mazda survived, albeit with difficulty, relying initially on producing little three-wheel trucks and

The Atomic Bomb Dome in Hiroshima . . . a reminder to posterity

finally coming of age in 1960 when it opened its first car plant. Yamasaki suggests that the plant became to Hiroshima what the 1964 Olympics in Tokyo were to the nation as a whole — a symbol of recovery.

A man of great courtesy, Yamasaki still does not talk easily of August 6 and the years thereafter. "You must understand," he says gently, "that my generation did not enjoy its youth." His salvation, as with so many other Japanese, was absorption in work and enormous pride in the fruits of this labour. He talks today much more in terms of Mazda than of Hiroshima. Indeed, the company, though it will shut down next Tuesday, will not be taking part in any of the anniversary events (though its unions, through their national labour affiliations, will).

Nor will Yamasaki himself be at any public ceremony. But he tells how recently one of Mazda's dealers, a *hibakusha*, sent him a book he had written lamenting that modern Japanese, even in Hiroshima itself, were forgetting what had happened. The chairman concurs. "This is the peace city," he says.

And therein lies part of the problem in coming to grips with modern Hiroshima. The task of keeping the peace flame alive now rests with some strange bedfellows, both locally and nationally. For example, the political establishment of Hiroshima, far from having been transformed, as might be expected, into a haven for the sort of "progressive" causes usually associated with "peace," remains as conservative as it was before August 6 1945. The city government, though nominally non-partisan, is associated closely with the conservative ruling Liberal Democratic Party; the strong, local Buddhist influence, also conservative, has not diminished over the years.

The powerful local newspaper, the Chugoku Shimbun, the seventh largest daily in Japan, is a self-proclaimed "peace paper, yet its interest in related progressive causes is marginal. As Akira Matsuura, its financial editor, says: "we (the newspaper) were destroyed by the Bomb and we must keep saying that it cannot happen again. This happens to be the ideology of the progressive (political) parties, whom we do not support in any other way."

The city government echoes a similar refrain. Yasushi Yamada, deputy director of the mayor's office, recalls the number of civic employees killed on August 6 and the subsequent legacy of illness. It is this civic experience that has prompted Hiroshima to stage next week the first mayoral conference on the Bomb, bringing together representatives from 62 cities in 23 foreign countries (Coventry, Edinburgh, Glasgow and Newport from Britain) as well as 28 Japanese cities.

This definition of purpose is noteworthy 40 years on — and so is its *sense of exclusivity*. But this is very much of a hallmark of the Japanese peace movement as a whole in its division into remarkably tight political and intellectual compartments. The outside world might find it difficult, for example, to distinguish between *gensuikin* and *gensuikyo*: after all, both mean virtually the same thing: Japan Congress against the Bomb. But what matters in the Japanese context is that the first organisation is run mostly by the Socialist Party and the second by the Communists.

Even at the intellectual level, the debate over national security for Japan — to which the U.S. nuclear umbrella is a vital ingredient — is curiously dislocated. The Institute for Peace Science at Hiroshima University has clearly emerged in its 10-year life as a leading centre for its cause (in another wonderful example of *tatemae* and *hon*, the Ministry of Education, which is very conservative, does not officially acknowledge the *institute's existence*, yet provides it with indirect, discreet financial help). Simultaneously the academic security lobby in Japan has been gaining strength. One of its most influential members is undoubtedly Professor Seizaburo Sato of Tokyo University, a trusted confidante of Prime Minister Nakasone.

Yet, as Professor Hiroshi Yamada, the institute's director, notes with total equanimity, no exchanges or debates exist between the "peace" and "war" camps. His colleague, Dr Yuji Mori, adds that not even the "peace group" at Tokyo University has any contact with Professor Sato. Indeed, to Dr Mori, this merely reflects the natural state of affairs in Japan where people are "satisfied" with divisions and "content" to operate in smaller, self-contained groups, which allow for greater freedom expression.

What might concern all of them, however, is a strange combination of age and youth. The *hibakusha*, the living symbols of the awfulness of the Bomb, are, as Yamasaki points out, getting fewer in number — and people do forget. Mrs Yamaguchi of *gensuikyo*, herself *a hibakusha*, concedes that after 40 years it is getting harder to present "vividly and directly" what happened on August 6 and thereafter, though she insists she will never stop trying.

Yet, among younger Japanese the level of indifference is marked. The city of Hiroshima has its own booklet offering guidelines to teachers of how "peace" can be taught in the schools, but over at the university Professor Yamada does not deny that the peace consciousness of his students is at a low ebb. They are, he says, "trapped by materialism" and so conditioned by the Japanese educational system into absorbing the minutia of curricula that they cannot take on "big issues" like peace.

But if memories do fade and the young are uninterested and the political power structure of Japan remains unchanged, then the prognosis for the Japanese peace movement will be bleak: and that, too, must surely affect *Hiroshima itself, if indeed* it has not already been affected. Hard though it may be to imagine, and cruel though it may be to suggest, 10 years from now, when the 50th anniversary rolls around, Hiroshima might be better known in Japan, if not elsewhere, for its cars and its Carp. And that would be an ineffable tragedy.

The Long View

Why building societies face a backlash

They are in danger of being accused of pushing up interest rates, sustaining a house price bubble and causing a potentially inflationary ballooning of the broad money supply, warns Barry Riley.

THERE CAN be few more distressing revelations than the discovery that one's purest motives are perceived by others to be self-seeking and possibly corrupted. Are the building societies, those pillars of bourgeois society, those purveyors of the dream that every Englishman's home should be a rapidly appreciating and tax sheltered castle, liable to suffer this fate as they elbow their way into the broader reaches of the financial services sector?

Self-righteousness can be a dangerous characteristic anywhere in the economic sphere. Take, as a random example, the plight of all those expansionist dairy farmers who have been embarrassed by the imposition of a quota system which leaves them unable to service the debts which financed their multiplying herds.

Food, after all, is self-evidently a good thing. How can the farmers' hard work and enterprise be spurned in this way? On the other hand, such farmers knew that the EEC milk lake was filling to an insupportable level. The harsh economic judgment must be that they are nothing more than overgeared commodity speculators, with the difference that they do not see themselves as such and are reluctant to steal quietly away like the average losing punter.

And in the financial services sector, the pensions industry suffered cruel agonies last winter as speculation grew that there might be an attack by the Chancellor on the tax privileges which had come to be seen, by the professionals concerned, as a matter of natural justice.

What stood out was the bewilderment and moral indignation of many pensions practitioners. The provision of protection for the elderly should, after all, surely be one of the basic goals of society. How was it that the precious structure could be threatened by politicians and journalists?

In the end, the leaders of the pensions industry did not prove to be so innocent that they were not capable of putting together a fairly potent political lobby. The tax threat was staved off.

Other charges, however, are still being promoted by the Government. The pensions men remain on the defensive, convinced of the need to protect and expand such unqualified benefits which must be imposed upon a population too feckless and shortsighted to make proper individual provision.

The building society movement, *too*, has developed its own moral framework, founded upon notions of thrift and self-help dating back to the Victorian friendly societies. An enormous weight of political and fiscal support has piled up behind the home ownership movement, one notable economic consequence being that the private rented sector of the housing market has been virtually wiped out.

But the growth of the building societies has brought them into head-on confrontation with the clearing banks and other short-term institutions. Within the next two or three months the building societies will top the £100bn level in terms of investors' funds, amounting to more than half of all personal sector liquid assets.

Legislation is proposed which will confirm their new commercial status, to the extent of permitting them to move into a wide range of banking and quasi-banking activities, and giving them scope to renounce their mutual status and incorporate as limited liability companies. But will public attitudes change as the societies are perceived to have changed their nature?

Remember that the clearing banks, being nakedly capitalist, are the regular targets for the abuse of the man in the street. Their account charges are bitterly resented, and their little touches such as the hefty fee for daring to take up the bank manager's time are greatly resented.

In comparison, the building societies, by and large, have got away with murder. At least that monument to paternalism, the mortgage queue, has been mostly swept away by the increase in competition in the market place. So has the parallel judgment that savers should get a *raw deal* compared with borrowers.

But the creaking bureaucracy often remains in place, requiring long waits for mysterious mortgage committees, to pronounce their lofty decisions. So, in many cases, does that other manifestation of the paternalistic approach, the extra margin of interest payable on large loans. In any other kind of business the customer with a big order would expect to get a discount. But the attitude of the building societies has been that the granting of a bigger favour deserves a proportionately bigger reward.

Once the granting of a home loan is viewed in a purely commercial light, the public will surely become less patient over *several* other practices. These include, for example, the charges and petty restrictions, in matters like surveys, which block the easy switch of mortgages from one lender to another.

A similar kind of constraint is the unwillingness to top up loans, so that the only way to raise a mortgage from, say, £15,000 to the tax-relief limit of £30,000 can be to move house, which is a decidedly extravagant way to achieve a refinancing. But to be fair, this is the result of Government guidelines as much as the consequence of the inclination of the societies.

In the past decade the building societies have raised their deposit base five-fold, have helped their borrowers to achieve capital (mostly unrealised) of more than £100bn, and have participated in the raising of the home ownership level to more than 60 per cent of households.

But as they prepare to start bidding for their second £100bn of savings the societies are in danger of being accused of pushing up interest rates, sustaining a house price bubble and causing a potentially inflationary ballooning of the broad money supply. And if the political pendulum begins to swing against them, the building societies are unlikely to understand why.

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·MARKETS·

Banks surge ahead after an early disappointment

THE clearers are making a lot of money again. Bumper figures from Barclays and Midland on Thursday coincided with one of the market's best days this year on Thursday when the FT Ordinary Index soared 16.8 points.

But it did not start off that way. It was a measure of the high expectations the market now has of the banks that when National Westminster on Tuesday opened the results season with figures which showed pretax profit up 20 per cent, the outcome was actually considered to be a major disappointment. NatWest lost 25p that day, and for a nervous moment, the analysts thought their other predictions could be wrong too.

But they need not have worried. Barclays came in with a 40 per cent rise. Profits from Midland, recovering from last year's Crocker disaster, were more than double. And Lloyds reported a solid 26 per cent gain. Apart from Midland, which is still trying to rebuild its reserves, the banks all raised their dividends too: Barclays by 7 per cent, NatWest by 8 per cent and Lloyds by 19 per cent.

Unfortunately, the reasons for these strong gains are not wholly encouraging. Most of the banks managed to cash in on the surge in base rates in February when the Government was desperately defending sterling against the mighty dollar, and that support will not last. Higher bank charges also helped.

But credit is also due to the banks' efforts: their campaign against the huge tide of costs rising from their vast branch networks is beginning to pay off. By keeping staff numbers down, cutting expenses and installing new technology, they have brought the increase in costs down to only a point or two above inflation.

One cost that is going up, though, is the battle for the saver's pound. With Composite Rate Tax imposed on bank interest in April, the banks have stepped up their competition for retail deposits by offering high interest savings accounts. And though this has brought a huge inflow of funds —Barclays drew in £1.5bn in four months—it is more expensive money, and it looks set to become a permanent feature of the banking industry.

The well-known international debt problems and troubled borrowers at home also obliged the banks to maintain the high level of bad debt provisions they have been making in the past year or two. But at least they now have better profits to make them from.

Another sign of the much healthier state of UK banking after the strains of the past few years is the sharp improvement in their capital ratios—the key measures of bank strength. The billions of pounds worth of permanent floating rate notes sold by the banks in the past few months can now be counted, under new Bank of England rules, as capital. As a result, ratios are climbing back to the higher levels prevailing before the recession.

The big puzzle, though, is why NatWest did not do better. Britain's number two bank had snatched the crown of biggest

London

profit-earner from Barclays last year and attracted a crowd of ardent admirers. The official reason for the below average profits rise this time was a combination of losses caused by sterling's recent strength against other currencies, and a squeeze on costs caused by the rise in interest rates.

But though it looks as if NatWest was wrongfooted by the foreign exchange markets, part of the reason was that it decided to take the losses on its profit and loss account. The other banks had similar if not bigger ones, but met them from their reserves.

Midland has begun the hard slog up. Crocker is back in the black, but — once bitten — executives are not making any optimistic predictions about the California subsidiary yet. Midland is making the most of its better health to boost its bad debt reserve. Because of this, its non-Crocker business actually turned in lower profits in the first half of this year.

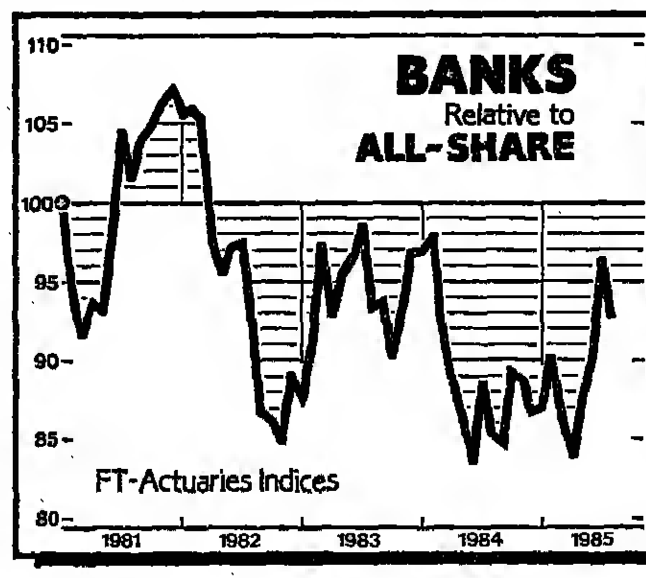
As for the prospects, the chairmen all came out with very bankerish "cautious optimism." Most of them predicted a further easing in interest rates, which would be good news for their loan business, though it would undercut some of the advantages that boosted their profits in the first half. Certainly bank analysts see no reason now to reduce their forecasts for any but NatWest. Barring disasters Barclays could next year become the first UK bank ever to make £1bn.

The 4 per cent rise in the FTA All-Share Index over the last week could well mean that the return to market high spots foreseen by some analysts for later this year could be reached sooner rather than had been expected. Even a pessimistic CBI quarterly survey did not hold the upward move as the prospect of cheaper money glinted on the horizon.

It has been the possibility of a drop in base rates to 10 per cent and the slowing down of demands on the market for funds that have produced this more confident mood.

The summer fall-off in demands on the market for cash has soothed the indigestion apparent until only a few weeks ago. So far this year £6.3bn has been raised mainly through rights issues (just over half the total) and privatisation moves (just over a fifth).

Now that TSB and British Airways are widely expected to come next spring, the forecast of funds demand of almost £10m for 1985 could prove too high —which should leave more money to fuel a rising market, as far as the institutions are concerned.



David Lascelles
Terry Povey

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1985 High	1985 Low	
FT Ordinary Index	951.1	+27.0	1,024.5	911.0	Interest rate/currency influences
FT Gold Mines Index	315.7	−18.9	536.9	315.7	Fears of further economic sanctions
Adams and Gibbon	285	+49	290	192	Bid from BSG International
BOC	290xd	+25	312	248	Ahead of Thursday's third-quarter figs.
BSR International	65	+23	167	40	Press reports of recovery prospects
British Aerospace	350	+37	422	295	European aircraft project hopes
British Telecom	194	+10	206	143½	Revived institutional support
Britoil	217	+10	236	187	Hopes that Govt. sale will be a success
Celtic Haven	108xd	+21½	108	33	Revived speculative buying
Debenhams	326	+18	337	157	Bid situation
Falcon Resources	70	+15	174	38	Rally from recent weakness
First National Finance	112	+ 9	114	74	Bid speculation/broker's circular
Gold Mines Kalgoorlie	600	+77	600	345	Aussie. golds benefit from SA fears
Imperial Group	181	+13	218	182	Ho Jo sale hopes rekindled
Kenning Motor	119	+15	120	96	Rumours of a share-stake build up
Metana Minerals	184	+24	172	106	Aussie. golds benefit from SA fears
NatWest. Bank	638	−57	720	568	Disappointing mid-term results
Racal Electronics	160	+28	288	124	Optimistic annual report
STC	106	+16	289	86	Ahead of Friday's interim results
Squirrel Horn	35	+ 9	35	23	Speculative buying

Definitely, a merger to watch

THE SLEEPY summer season has arrived on the USM. As the number of new issues has slowed to a crawl, brokers have been amusing themselves by contemplating an unusual profit play to be made on one of the week's few newcomers, Dean Park Hotels.

It works a bit like an offer for sale in reverse. An ordinary issue invites stags to apply for shares with a view to selling them as the stock moves to a premium. This new issue tempts the less enthusiastic to take a punt on the shares moving to a discount.

The ploy is possible because Hambros Bank has agreed to stand in the market for the first three days of dealings (Thursday, Friday and Monday) and buy the shares at 51p. This gives punters the chance to sell shares short with a view to buying them back cheaper as soon as Hambros withdraws.

Hambros has made this strange undertaking as a part of an odd deal that sees an old wire rope company, Martin Black, transformed into a chain of hotels, and re-emerge on the USM under a new name. The shares were suspended on the main market last year at 22p, when the directors said that the liquidation value of the company was close to 50p.

Smart-alecs could well get caught, however. Just as offers for sale that have attracted speculative interest sometimes move to a discount as all the stags sell at once, a flood of purchases as sellers rush to cover their positions might well get this issue off to a crackling start.

Less frivolous but no less unusual was an agreement between two of the USM's video companies, Crown International Productions and Capital Television Facilities, which this week decided to merge. No firm details are expected until September; until then, both shares have been suspended.

Shareholders in either company may be a little annoyed to have their investments frozen for such a long time. However, Stock Exchange regulations are not designed to cope with a merger between two companies which share the same chairman, the same finance director and the same head office.

With Capital's results out in September, further purchases of shares by Crown before then in the market would start to look

USM
UNLISTED SECURITIES MARKET

like insider dealing, and the shares therefore had to be suspended.

Links between the two companies have been so prolific and so complex that it is not easy to see exactly what effect the merger will have.

Holding all the cards is Cordon Curry, chairman of both companies. A Scottish accountant, ex-head of Belhaven Brewery and CCH Hotels, he owns a company called Creenstar which ran 25 theatres in Scotland, most of which went out of business and have subsequently been sold.

Greenstar put up half the money for Capital, then called MME Facilities, a Soho-based company specialising in post-production of film and video. MME came to the USM in November 1983, when the shares were placed at 40p.

Eighteen months later, Curry was back on the USM new-issue sausage machine with Crown, a company in which Creenstar had a controlling stake. Crown was started by Paul Ellis, once of the Money Programme, and produces videos mainly on financial topics for such customers as British Airways and the Stock Exchange. Although it has some facilities of its own, it also uses those of its half-brother, Capital.

The cross-ownership of the shares is bewildering: in addition to Creenstar's stake in both companies, Crown owned 20 per cent of Capital which it sold in April (making a profit of £250,000) to clear the decks for its flotation.

Two months after the flotation, however, Crown started buying shares in Capital again, gradually taking its stake up to the present 20 per cent. Prompted by offers that had been made for Capital by outsiders (one of which is rumoured to have come from Robert Maxwell), it has finally made its intentions known.

There probably will be very little synergy from the merger, as Crown already uses Capital's facilities: and with shared senior management and offices, the merger is scarcely likely to change the way that either company is run.

Nevertheless, putting the two together is probably good news for shareholders. It will clean up the puzzling pattern of ownership — which can only be a good thing — and should make the enlarged unit a more stable affair.

Lucy Kellaway

GKN lifts out of recession

THREE OF Britain's biggest engineering companies, GKN, TI GROUP, and GLYNWED INTERNATIONAL, are expected to have vastly different stories to tell when they report their results for the first half of 1985 next week.

After a strong recovery from recession, GKN on Wednesday should show a further increase over last year's interim profits of £61.2m pre-tax, to just over £70m. The group is now more broadly-based than before, with only 25 per cent of sales in the dominant automotive division dependent on the UK, against 40 per cent five years ago. Demand has generally been strong in the U.S. and in West Germany, and in Britain too, where vehicle producers have been stocking up in anticipation of a surge in buying of "C" registration cars.

Elsewhere in the group, there should be good growth from distribution, particularly in the U.S. where Parts Industries, already the second largest independent distributor, has been expanded further with the acquisition of Beck-Arnley. The industrial supplies and services and the special steels and forgings divisions still trade in difficult conditions. But positive signs should be the expansion of Kwikform (scaffolding) and Chep (pallets and containers) overseas.

While GKN has expanded abroad, Glynwed International's results will be marked by withdrawals from two loss-making overseas businesses. The sale of the South African Defy Corporation subsidiary and the U.S. Breman Steel company will have improved not only the trading performance but also the group's liquidity. In the UK, most of Glynwed's operations should have moved ahead, particularly its growing portfolio of specialist engineering businesses, including special steels and plastics. The City is expecting to see about £15m pre-tax from the group on Monday.

TI was under pressure even before the Abdullah brothers' Evered Group built up its 12½ per cent stake. Now there is even more incentive to solve the considerable problems of the group's loss-makers.

There should be some progress to report on Thursday—the Oklahoma gas cylinder plant has been closed down, and jobs have been cut at Raleigh cycles, but the group has yet to make the expected major changes at Cold Drawn Tubes and in machine tools. Elsewhere, TI should see strong gains in its specialist engineering businesses notably in aircraft engine rings where demand is good. But in the domestic appliance operations, better profits from cookers will be offset by a decline in central heating boiler sales, hit by a fall in the market. There is wide disagreement about the profits the group will announce—some analysts expect TI to match or exceed last year's

Results due next week

£12.4m pre-tax, others see only £8m or so.

STC has already warned the market to expect an attributable loss when it reports interim figures on Friday. Arguments over the pre-tax profit forecast appear totally academic — the figures will depend on accounting policy. Last year £52.2m was made and there was no ICL contribution.

This time, ICL is expected to contribute some £30m but this looks in danger of being virtually wiped out by losses and write downs produced within the original STC business. What happens to the pre-tax figure will therefore depend on how much of this is taken above the line — hence analysts vary between plus and minus £20m in their forecasts.

The electronics group has already announced that it is to maintain the interim dividend of 3.5p in spite of the expected losses. Shareholders may ask why they are being handed back almost £20m of February's £168m rights proceeds. The resignation of Sir Kenneth Corfield, yesterday, may foreshadow a change of policy on dividends among much else.

Dee Corporation, which reports on its year to April on Thursday, is unlikely to surprise many with its results: it produced a profits forecast of £56m in February in the course of its bid for Booker McConnell and little will have happened to change that in the last two months of its year.

Dee's supermarkets have continued to push ahead strongly, with Gateway, the largest division, showing underlying volume growth of 13 per cent and the Key Market and Lennons acquisitions benefiting from conversion to the Gateway format. The Linfood cash-and-carry operation should also be showing an improvement following extensive rationalisation. Overall there should be a 30 per cent increase in profits from retailing, lifting last year's £28.3m to about £36m.

To this, however, has to be added a contribution from International Stores, Dee's major buy of the year. Taken in on a pro forma basis, International should add a hefty £20m to the pre-tax figure to produce £56m. Some £8m for property profits is expected to push up the overall figure to about £64m; there will also be £3.5m from the sale of Booker shares, but this is likely to go below the line.

Royal Dutch/Shell's results for the quarter to June, due on Thursday, will reflect the mixed effects of the dollar's weakness and sterling's strength. Upstream, oil and gas production earnings will be devalued by their translation into stronger pounds, but downstream, refining and marketing will have benefited from wider margins caused by an increase in the gap between sales priced in local currencies and supplies priced in dollars.

The underlying year-on-year performance is likely to be improved, but the second quarter will look dull compared with the first because of the seasonal nature of the business: natural gas production in particular will be well down. There will, however, be one significant blot: the group is writing off £100m for the cost of closing down its Curacao refinery, said to be losing about £40m a quarter.

The City expects about £800m from oil and gas production, £170m from refining and marketing, £40m from chemicals, and debits of £20m for metals and coal and £50m for unallocated items and minorities. After the write-off this produces a replacement cost net income of £840m, against which will have to be set a downward stock adjustment of perhaps £130m caused by the fall in the value of the dollar.

Profits forecasts for Reuters have been steadily upped since the group announced its 1984 results in February — these were just ahead of prospectus commitments.

For the interims for Monday the market is looking for £45m. This compares with £30m last time and with forecasts of £100m for the whole of 1985.

The acquisition of Richo Inc in February may not be in this time although it certainly will be contributing for the year.

Richard Tomkins
Stefan Wagstyl

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Banks, Sidney C.	Wednesday	2.75	5.25	3.25
Bensons Crisps	Thursday	—	—	—
Cook, William	Friday	1.0	1.5	1.1
Cray Electronics	Monday	0.566	1.715	0.735
Dee Corporation	Thursday	7.0†	3.0	2.25
Diamond Stylus	Friday	—	0.5	—
Dixon, David Group	Tuesday	2.22	2.28	2.5
Firth, G.M. Holdings	Thursday	0.15	0.18	0.18
Gnome Photographic	Thursday	—	5.25	—
Hambro Currency Distributor Fund	Tuesday	—	53.8	—
Hambro Trust	Tuesday	1.59	4.52	2.15
Kalsie Trust	Thursday	0.9	1.1	0.9
Mid Wynd International Investment				
Owen and Robinson	Friday	14.286	—	—
Peel Holdings	Monday	2.35	5.0	2.5
Porter Chadburn	Wednesday	—	0.36	—
Property Security Inv. Trust	Wednesday	1.0	—	—
Radiant Metal Finishing	Tuesday	1.0	1.5	1.0
Scottish English and European Textiles	Thursday	1.1	2.7	1.4
Smith Whitworth	Monday	—	—	—
TR City of London Trust	Wednesday	0.675	—	0.775
Unitech	Tuesday	1.684	3.206	1.96
Warehouse Group	Monday	—	3.75	—
Yorkshire Chemicals	Thursday	—	1.75	—
INTERIM DIVIDENDS				
Alliance Trust PLC	Friday	4.0	9.5	
Ayrshire Metal Products	Wednesday	—	0.5	
BOC Group (30R)	Thursday	3.15	4.55	
Davies and Metcalfe	Thursday	0.63	1.58	
F and C Enterprise Trust	Thursday	—	0.1	
GKN	Wednesday	—	—	
Glynwed International	Monday	3.25	6.0	
Gould Laurence and Co.	Monday	—	—	
Griqualand Exploration and Finance	Wednesday§	10.0	10.0	
Heywood Williams Group	Thursday	2.2	3.8	
Investment Trust of Guernsey	Thursday	2.25	4.25	
Jacobs, John I.	Thursday	1.2	2.1	
Law Debenture Corpn.	Thursday	2.25	3.25	
MTD Mangula	Tuesday	—	—	
Noble and Lund	Thursday	—	0.1925	
Reuters Holdings	Monday	1.0	1.5	
Rights and Issues Inv. Trust	Monday	—	2.8	
Rotork	Tuesday	2.1	2.4	
Royal Dutch Petroleum	Thursday	‡3.85	—	
Securicor Group	Wednesday	0.49	1.1	
Security Services	Wednesday	0.909	1.98	
Shell Transport and Trading	Thursday	11.8	21.9	
Smith and Nephew Assocd. Companies	Thursday	1.4	3.15	
STC	Friday	3.25	5.75	
Sycamore Holdings	Friday	0.1	—	
TI Group	Thursday	5.0	5.0	

* Dividends are shown net pence per share and are adjusted for any intervening scrip issue. † Per 25p share. ‡ Gross Fl per share. § Figures in American cents.

INTEREST RATES: WHAT YOU GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 30%	45%	60%	Frequency of payment	Tax (See notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	6.00	6.09	4.79	3.48	half yearly	1	—	0-7
High interest cheque	8.25	8.51	6.69	4.86	quarterly	1	2,500 minimum	0
3-month term	7.50	7.71	6.06	4.41	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	8.25	8.42	6.62	4.81	half yearly	1	1-250,000	0
High interest access	9.75	9.75	7.66	5.57	yearly	1	500 minimum	0
90 day	10.75	11.04	8.67	6.31	half yearly	1	500 minimum	90
Premium	10.60	11.03	8.87	6.30	quarterly	1	10,000 minimum	90
NATIONAL SAVINGS								
Investment account	12.75	8.93	7.01	5.10	yearly	2	5-50,000	30
Income bonds	13.25	9.86	7.75	5.63	monthly	2	2,000-50,000	90
30th issue‡	8.85	8.85	8.85	8.85	not applicable	3	25-5,000	8
Yearly plan	9.28	9.28	9.28	9.28	not applicable	3	20-200/month	14
General extension	9.51	9.51	9.51	9.51	yearly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	8.96	9.18	7.20	5.23	half yearly	1	2,500 minimum	7
Schroder Wagg	8.50	8.84	6.95	5.05	monthly	1	2,500 minimum	0
Provincial Trust	8.97	9.35	7.35	5.34	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
10% Treasury 1987	10.85	7.57	5.94	4.30	half yearly	4	—	0
11% Exchequer 1990	10.75	7.49	5.85	4.22	half yearly	4	—	0
10.25% Exchequer 1995	10.83	7.67	6.09	4.51	half yearly	4	—	0
3% Treasury 1987	8.54	7.55	7.06	6.56	half yearly	4	—	0
3% Treasury 1989	9.00	7.88	7.32	6.77	half yearly	4	—	0
Index-linked 1988¶	9.77	9.06	8.70	8.35	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 5 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND DEALS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated.					
Adams & Gibbon	297§§	285	238	5.35	BSG Intl.
Applied Botanics¶	14§§	14	41	0.74	REA Hldgs
Bell (Arthur)	225†	237	192	297.56	Guinness
Breville Europe	30½	28	19	5.08	Valor
Cartwright R.¶	171§§	167	163	11.47	Newman Tonks
Clay (Richard)	130†	152	99	11.67	McCorquodale
Cole Group	200	224	184	6.00	Hartons Group
Debenhams	337	326	327	472.45	Burton Group
IDC Group	285½§§	273	186	19.33	Hall (Matthew)
Morgan Comms.	135*	130	132	9.69	Reed Intl.
Nottingham Man	276	274	233††	314.93	Vantona Viyella
Regentcrest	27½*	27½	26	4.24	Messrs R. & D. Richardson
Resource Tech	52½*	52	40	6.94	Inspectrate Int SA
Security Centres	126½§	114	100	20.13	Automated Security
Selincourt¶	20	21½	28½	10.35	Stormgard
Synterials	9	9½	8	16.81	BBA Group
Towngrade Secs	31½*§	35	37	1.67	Milbank Dev
United Wire¶	206§§	200	193	16.74	Scapa
Vectis Stone Grp	60*	57½	55	8.34	Bardon Hill
York Trailer¶	45*	43	32	4.96	Utd Parcels

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on August 2 1985. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. |||| Loan stock. ‡‡ Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
AIM Group	Apr	1,720	(1,160)	8.9	(1.0)	5.75	(5.75)
Arlington Motor	Mar	1,460	(1,820)	27.8	(36.4)	7.0	(6.0)
Astra Ind.	Apr	102L	(1,460)L	—	(—)	—	(—)
Bardsey	Dec	744L	(—)	—	(—)	—	(0.5)
Black, Peter	Apr	4,890	(3,970)	11.0	(9.3)	1.625	(1.452)
Bullough	Mar	4,700	(4,454)	8.5	(8.1)	—	(—)
Business Comm.	June	1,360L	(502)	—	(—)	—	(1.0)
Caledn. Cinemas	Mar	1,230	(1,130)	159.7	(157.7)	62.0	(10.0)
Control Tech.	Sept	498	(59)	8.2	(—)	1.8	(—)
De Brett, Andre	Mar	38	(30)L	0.1	(0.2)	—	(1.0)
Dyson (J. & J.)	Mar	728	(999)	6.52	(7.32)	4.0	(4.0)
Eiblef	Apr	521	(480)	1.2	(1.2)	1.72	(1.60)
Eliza Tinsley	Mar	754	(546)	6.7	(4.9)	2.887	(—)
Electron House	May	410	(234)	6.4	(5.3)	1.0	(—)
Equipu	Apr	1,400	(876)	18.9	(13.6)	4.5	(4.0)
Ewart New North	Apr	103	(50)	10.7	(5.2)	6.0	(4.0)
Flextech	Mar	3,280	(1,550)	10.2	(8.1)	—	(—)
Forminster	Apr	874	(869)	19.6	(18.8)	6.03	(5.56)
Havelock Europa	Apr	631	(473)	5.7	(4.5)	1.6	(—)
Macarthys	Apr†	151L	(2,820)	16.2	(24.1)	8.2	(7.5)
Mercantile House	Apr	52,160	(56,910)	39.9	(44.3)	9.0	(8.5)
Merrydown Wine	Mar	1,260	(937)	24.1	(21.1)	6.0	(5.33)
Metal Sciences	Feb	535L	(157)L	—	(—)	—	(—)
Murray Smlr Mkts	May	1,290	(1,119)	2.6	(3.36)	2.5	(2.2)
Newcourt Nat. Res	Mar	1,600	(1,439)	3.8	(4.1)	1.65	(1.5)
Norton Opax	Mar	2,200	(1,302)	8.1	(6.2)	2.83	(2.5)
RTD Group	Feb	51L	(117)L	—	(—)	—	(—)
Smith, David S.	Apr	1,050	(225)	5.9	(0.2)	3.0	(2.5)
Quest Autom.	Feb	307	(159)	2.1	(1.1)	—	(—)
Tomkins, F. H.	May	3,520	(2,378)	3.8	(6.1)	2.25	(1.8)
Trent Holdings	Mar	676	(512)	8.3	(7.6)	1.05	(0.875)
Watshams	Mar	2,170	(1,460)	7.6	(6.9)	2.1	(1.92)
Wintrust Group	Mar	2,600	(2,347)	16.6	(14.9)	4.8	(4.3)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Acronson Bros	Mar	2,120	(1,840)	1.2	(1.2)
AC Cars	Mar	24L	(73)	—	(—)
African Lakes	Jan	383	(452)	—	(—)
Barclays Bank	June	431,000	(308,000)	8.4	(7.65)
Bowring, C. T.	June	32,900	(19,400)	—	(—)
Brit Vending Ind	June	307	(237)	0.59	(0.46)
Burmatex	May	689	(774)	2.0	(2.0)
Clay, Richard	June	992	(642)	2.0	(1.3)
Consolidated Tern	Mar†	152	(192)	—	(—)
Cowie, T.	June	1,630	(807)	1.25	(1.0)
European Assets	June‡	1,970	(1,950)	0.04	(0.04)
Ford, Martin	June	117L	(199)L	—	(0.05)
Gallaher	June	53,900	(55,400)	—	(—)
GRA Group	Apr	54	(58)L	—	(—)
Gregg	Aug	667	(492)	1.65	(1.4)
Hill & Smith Hlgs	Mar	743	(702)	1.25	(0.91)
Home Brewery	Mar	2,080	(2,600)	4.0	(4.0)
Johnstones Pnts	June	391	(490)	1.765	(1.765)
Lex Service	June	7,900	(26,900)	6.5	(6.5)
Midland Bank	June	151,000	(70,000)	11.0	(11.0)
Nat West Bank	June	354,000	(295,000)	10.0	(9.3)
Ocean Trns & Trd	June	15,700	(11,700)	2.55	(2.15)
Plastic Const.	Mar	104	(120)	0.836	(0.836)
Saga Holidays	Apr	1,830L	(2,260)L	1.6	(1.3)
St Andrew Tst.	June	634	(615)	1.0	(8.3)
Temple Bar Inv.	June	2,020	(1,170)	2.0	(1.65)

(Figures in parentheses are for corresponding period)
* Dividends are shown net pence per share and are adjusted for any intervening scrip issue. † Profit after tax. ‡ Figures in Fl. L Loss.

RIGHTS ISSUES

British Vending Industries—To raise £940,000 through a one-for-four rights issue of 2.13m shares at 47p each.

RTD Group—Is raising £690,000 by means of a one-for-one rights issue at 15p per share.

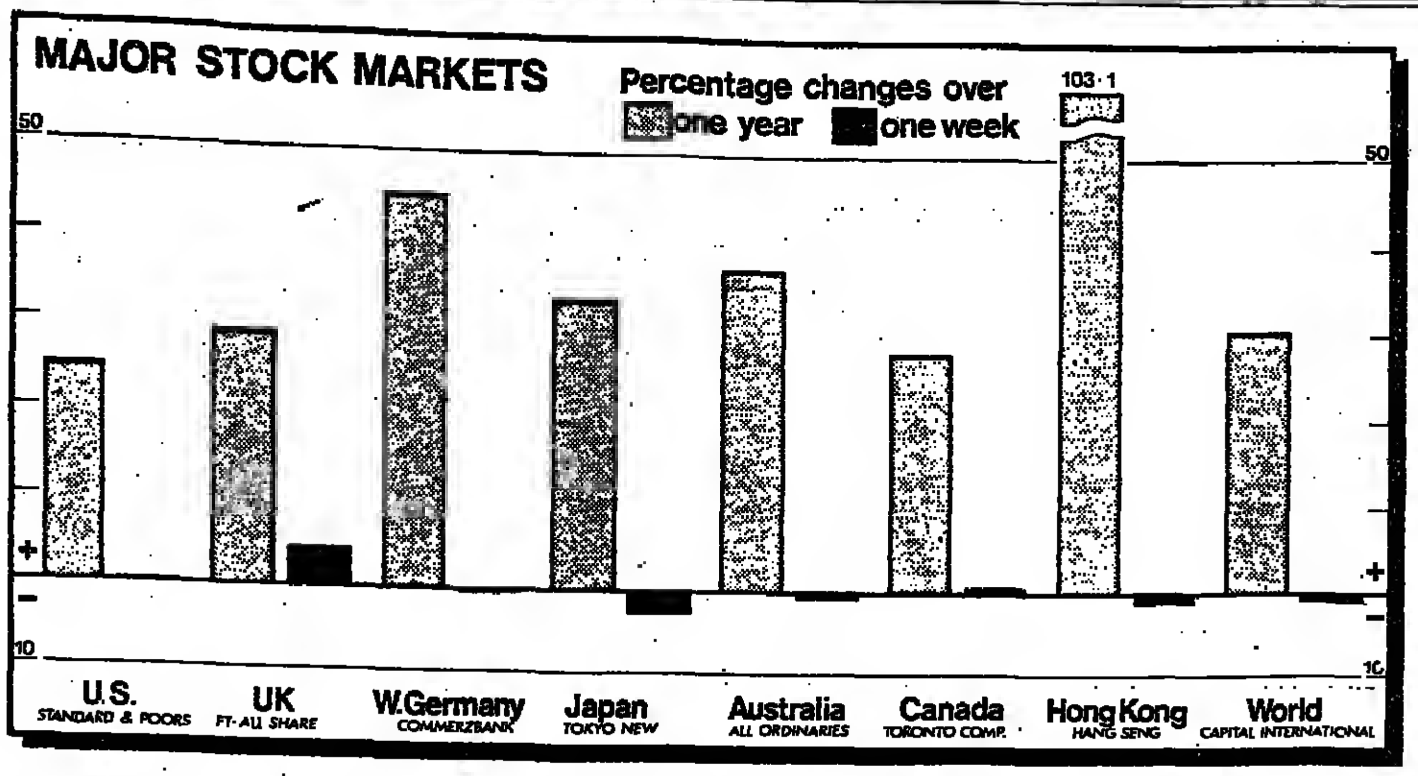
OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

Wintrust—Is issuing 5.2m 5¾ per cent convertible preference shares of the basis of three shares at 100p each for every five ordinary.

GCA Galleries—Is joining the USM with a placing of 1.4m shares at 80p each.

Lysander Petroleum—Is joining the USM via a placing of 4m shares at 64p each to raise £2.3m.

• MARKETS •



Enough to put you off breakfast

Tokyo

IT GOT so hot in Tokyo this week that flights at Haneda, Tokyo's domestic airport, had to be cancelled because the tarmac melted.

Over at Kabutocho, Tokyo's stock market district, things were getting pretty steamy as well. The first three days of the week saw heavy selling, with Tuesday's drop in the Nikkei-Dow Jones average amounting to the second largest on record. Then, on Thursday, the market shifted directions, notching up the second largest gain on record. Friday ended with a whimper and the Nikkei-Dow ended the week 164 points down at 12,525.96.

Like most statistics in Japan, however, the Nikkei-Dow is by now a fairly monumental figure, rendering the huge swings this week into an eyelash flicker when translated into percentage terms. Still, people don't like being involved in a market which goes up and down by 200 or 300 points in a day. "It puts you off your breakfast," said a Tokyo-based analyst.

In order to invest in the Tokyo market and still enjoy your breakfast, it is probably best not to haul this week's events over too many coals. The main feature of Tokyo's market remains as solid today as it did last week. There is simply too much money looking for a home. The cash-rich position of most Japanese companies added to Japan's strong penchant for individual savings has pushed shares up in sector after sector over the last year to often *towering* levels.

"Nobody is really convinced of the worth of their investments. They invest because they think other people will invest in Japan's future," says Peter Tasker, an analyst with Kleinwort Benson in Tokyo.

According to share prices compiled by Vickers de Costa, the real estate sector had jumped from 521 in February to 909 by the end of July. It backed down to 831 this week. The railway and bus sector, which along with real estate stands to gain enormously if Japan succumbs to calls for increased domestic spending, jumped from 550 in March to 843 in July. By the end of this week, it had slipped back to 771.

Climbs of those kind naturally create a nervousness and volatility which has to be built into any view of the Tokyo market. Look at Sumitomo Bank. Trading at around Y500 to Y600 a year ago, eager investors had pushed the price up to Y2080 at the beginning of this week. The Tokyo jitters sent it down to Y1870 at the week's close, a downward adjustment which still makes last year's purchase look a *sensible* one.

Tuesday's rush to sell actually was touched off by a newspaper report that Nippon Life Insurance was unhappy with the terms of a new share issue by Dai-ichi Kangyo, one of Japan's leading commercial banks, and refused to buy any shares. The report has been denied officially but it was enough to prompt the well-known Japanese decision-making process to click into gear. Everyone got out: financials first, then everything else. Barely a section was left unscathed.

Thursday was bargain-hunting day and a time to cover short positions. Still, by the end of the week the market continued to drift down, prompting brokers to blame their trustiest fall-guy, the Tokkin funds, for the tumult.

Tokkin funds are special trust accounts that allow a company to distinguish for tax purposes between a portfolio investment and long-term holdings, a wheeze that allows firms to escape a fair amount of tax. Further, profits can be sent straight over to the non-operating income line of the profit and loss account.

According to Marusan Securities, Tokkins now manage a staggering Y4,000bn worth of funds, up from Y2,000 a year ago. Funds swelled by Y700bn in the second quarter of this year, according to Marusan.

Received wisdom on Tokkin's is that they move in packs. And with mid-August being dividend-paying time, the Tokkins began some heavy profit-taking, according to many pundits. Still, even if one buys the pack-mentality of the Tokkins, it doesn't account for the fact that a handful of good quality stocks escaped this week's rout.

Dai Nippon Screen, for example, which makes the electronic colour scanners and screens for the burgeoning field of computer graphics in addition to semiconductor manufacturing equipment, triumphed this week with a jump from Y860 on Monday to Y965 at yesterday's close. Anritsu Electric, the telecommunications group, began the week at Y1440 but dropped to Y1400 on Tuesday. It presented a good, but expected, set of figures on Thursday and ended up at Y1710 at the week's end.

Other better-known names which sailed through the week were NEC and TDK, the latter jumping from Y3800 to close at Y4200.

Only a foolish person would try to predict what is ahead for the Tokyo market. But one thing for certain — next week will again be a scorcher . . . the weather, that is.

Carla Rapoport

Dow sets the pace

Wall Street

AFTER a seven-week battle, the U.S. Congress finally passed a Budget and went off on holiday this week, but nobody was very happy with the result. The Administration says it will knock $55bn off the $200bn-plus budget deficit. Critics say it will be far less.

Equity traders appeared indifferent to the Budget news; and while the credit markets appeared happy that there was at least a package, everyone knows the Budget cuts are far less than is necessary if the U.S. intends to get a grip on its massive budget deficit which, over the long term, threatens to refuel inflationary pressures in the economy.

Share prices ended July on a firm note and began the new month with a solid gain; but beneath the numbers it is clear there has been a significant change in stock market leadership over the past few weeks.

Some of the traditional "blue chip" shares, which dominate the Dow Jones Industrial Average and have lagged the market for much of the year, are back in favour and, for once, the Dow has been leading the market higher. In the first half of the year, the Dow rose by 10 per cent while the overall market rose by 15 per cent-plus. Since the end of June, the Dow has outpaced the overall market.

Investor sentiment has swung back towards stocks that will benefit from an economic rebound. IBM shares, for example, had risen from $123¼ at the end of June to $132¼ by Thursday evening. U.S. Steel's shares had risen by $3¼ to $31⅞ over the same period.

The half percentage point rise in short term interest rates over the past few weeks, and fast disappearing hopes that the Fed will encourage lower rates, have denied enthusiasm for interest rate-sensitive stocks such as the banks and U.S. thrifts. Utility stocks, which until mid-summer had kept pace with the Dow, if not the overall market, have also been under pressure.

The Dow Jones Utilities Index has dropped by close to 5 per cent over the past five weeks. By contrast, the Dow Jones Transportation Index, which in the first half of the year had risen by 19 per cent, is up by another 5.7 per cent, with the airline stocks soaring on the back of lower fuel prices and strong volume growth.

The shares that have been shunned in the market's recent rise are the "safer" issues such as Sears Roebuck, American Brands and Safeway Stores, all of which are showing losses of a few dollars since the start last month.

Virtually all of the major U.S. names finished reporting their second quarter profits this week. Eastman Kodak's earnings were down 28 per cent at $0.72 per share and Chevron's earnings were 8 per cent down at $1.02 per share. For the past four quarters, corporate earnings have been disappointing; nevertheless, share prices have risen by close to 200 points. According to Merrill Lynch, it should reach the 1400-1450 level later this year.

The strength of share prices in the face of disappointing earnings growth and a sluggish economy is surprising; but according to Bob Salomon, the equity research chief at Salomon Brothers, the move reflects the fact that equity prices were cheap a year ago. The subsequent rise is due primarily to a re-valuation of factors such as the improvement in the quality of earnings.

The stock market is fast approaching Salomon Brothers' target level of 11.5 times earnings, and Bob Salomon says the upwards revaluation of share prices has probably run its course. From here on, the market will be concentrating on earnings growth to justify higher share values.

Salomon Brothers is expecting a marginal year on year decline in U.S. profits in the current quarter, but in the final quarter of 1985 it is forecasting a 0.5 per cent rise and, over the next 12 months, it expects corporate after-tax profits to rise by 10.6 per cent.

Assuming no change in the current market multiples, this would put the Dow Jones Industrial Average within breathing distance of the 1,500 level.

MONDAY	1343.86	−13.22
TUESDAY	1346.10	+ 2.24
WEDNESDAY	1347.45	+ 1.35
THURSDAY	1355.62	+ 8.17

William Hall

RTZ picks a plum

Mining

AS WE feared, it has been another tough week for South African gold share prices, dominated as they are by political tensions. Prices staged a good rally on Monday when bullion made another attempt to break out above the $330 per oz level, a move that prompted some second thoughts in the share market on the part of earlier bear sellers.

But after these forward sales positions were closed, the market slid back again. Lurking in the background is the fear that events might prompt some heavy selling by the big U.S. and French holders of gold shares, although they may not easily be parted from their investments.

In many cases, the flow of high dividends over the past few years will have repaid the cost of the original investment; and, of course, this income—which is not easily replaced—continues to roll in.

Still, as the market has shown that it remains capable of staging a rally, such occasions could provide an opportunity to get out for the small shareholder who prefers a quiet life. It is not too late to switch into selected Australian gold shares.

I think that my friend, the mole, did a little buying of Australian golds during his recent trip Down-Under because he has been looking very smug this week.

In fact, I had to remind him that you should not buy Australians just because the South African issues are under a cloud; you should buy them because you believe that the gold price is going to rise. Mole does.

Apart from that, he has been intrigued at the news that Broken Hill Proprietary is negotiating with its partner, Texaco, in the huge La Escondida copper property in Chile. BHP wants to increase its stake and Texaco wants to sell.

At the same time, BHP has made clear that it does not want to take on all of the huge project, which might need as much as A$1.6bn (£836m) before its reaches production in the next decade. So, BHP will be looking for a new partner, or partners, to help out. Rumour has it that Rio Tinto-Zinc will join the party.

Moley is convinced that this will be the case.

He has been re-reading the recent annual statement of Sir Alistair Frame, the chairman of RTZ. He believes—the mole, not Sir Alistair—that the big group is now backing a more favourable long term view of copper, a metal that has served it well in the past.

"What made me think," said the mole, "was that bit in the speech about the time having come to take decisions about the next generation of mines.

"Add to that the fact that RTZ is not short of money and so can pick up any bargains going from them what is a bit short. I reckon the same thing has happened in Portugal with RTZ's Neves Corvo copper deal," he added, as he sauntered back to that hole of his behind my chair.

At all events, RTZ has announced the completion of a purchase of a 49 per cent stake in the rich Portuguese copper deposit at what seems to be a very reasonable price of $97m (£63.7m) from the French companies, Penarroya and Coframines. The Portuguese Government holds the remaining 51 per cent.

Neves Corvo's ore contains such a high copper content that an underground mining operation would be very payable at even today's low metal prices. Conservatively, RTZ estimates the grade at a minimum 8 per cent copper in ore reserves exceeding 25m tonnes. There is little doubt, however, that both the grade and reserves will prove to be considerably higher.

It will cost about $200m to get the mine to production which is expected by the end of 1988. Output of copper contained in concentrates is envisaged at about 65,000 tonnes annually, and the life of the mine should be at least 20 years. RTZ looks to have picked a plum at Neves Corvo.

In a rather mixed bag of second quarter results from the North American mining majors Asarco has reported a loss of $20.98m, which makes a loss for the half-year of $40.04m against a loss of $59.73m in the same period of 1984.

Low metal prices continue to weigh heavily on Asarco but undaunted, the chairman has spoken of "a great improvement" in the fundamentals of the copper market and sees better times ahead.

Kenneth Marston

Business Start-up Scheme

Manna from heaven goes stale

MANNA from heaven. That was the reaction of many investors and fund managers when in 1981 the Government announced the Business Start-up Scheme (BSS), giving tax relief for investments in new companies.

The chance to invest in companies with the potential for very fast growth, plus the tax advantage, seemed almost too good to be true.

The reality has proved very different for many of the funds set up to invest under the terms of the Business Start-up Scheme. Three years on, a third of the companies they chose have had to be written off.

The terms of the BSS placed far tighter restrictions on fund managers' freedom of investment than the Business Expansion Scheme, which replaced it in 1983. Both give tax relief to investors, but under the BSS companies could be no more than five years old. In addition, only 50 per cent of their equity could qualify for tax relief—a discouragement to funds that wanted to take a majority stake in a business.

Limited to new companies by the scheme, managers were unable to build their portfolios around a core of established businesses with a consistent profit record. This does not mean they could invest only in speculative new electronics companies. Hotels and other asset-backed businesses feature prominently in the portfolios of BSS funds. But asset-backing is no guarantee of success: the Basildon Fund, for instance, has experienced difficulties with its investment in Chevin Lodge, a hotel and holiday complex.

Basildon — sponsored by London stockbroker Laurence Prust—has had an experience similar to that of several other BSS funds. It raised just over £1m. and invested in eight different companies. Four of these have now been written off—including the two largest investments, Linked Ring Television Film Productions and Carnival Ceramic Industries. Together with Chevin Lodge, the future of which is described as "uncertain," these accounted originally for 80 per cent of the fund's investments.

Of the three remaining companies, Sound Masking, which makes electronic devices to mask background noise, has now become profitable; Sinclair International, a supplier of labelling systems for soft fruit, still has modest profits but is expanding rapidly; and Winterbourne Hospital makes a useful profit before interest charges on its substantial borrowings.

The Second Basildon Fund, which attracted £2.46m from investors, has done much better, although two more have been written down in the fund's books from their original cost.

Creative Capital, sponsored by the British Linen Bank, has fared better than some. Only three of the 11 companies in which it invested have failed so far and on one of these, Peter Dual Ltd, the fund is seeking ways of recovering its investment.

Peter Dual went into liquidation last year owing over £400,000 more than its stated assets covered. "In our view, the directors do not appear to have made a realistic assessment of the realisable value of the group's assets," said the official receiver.

Electra Risk Capital I, the biggest of the BSS funds with £8.7m invested, has also had its troubles. Twelve of the original 32 investments have gone under or been sold at a loss. A top rate taxpayer is still showing a healthy profit after 60 per cent relief but a basic rate taxpayer getting only 30 per cent relief is showing a loss on his investment in Electra.

Valuations of investments in these funds have to be treated with caution. For reasons of prudence, the fund managers will be much quicker to write down an investment in trouble than to write it up if it goes well. Even so, there will be time lags before these problems show up in the accounts.

A further blow to the Business Start-up Scheme came with the arrival of funds investing under the new Business Expansion Scheme. Start-up companies have to come back after a couple of years for a second helping of capital, but they have found it much more difficult to attract investors in competition with the established companies that qualify under the new BES.

Michael Stoddart, chairman of the first Electra fund, said in his report this year that he believed three of the fund's investments—Petalbyte, Bowes Electronics and Semar Packaging Systems—would have been able to obtain refinancing if the old BSS had still been operating. Instead, Petalbyte and Bowes failed, and Semar had to be sold for a nominal sum.

All this is galling for the BSS fund managers. They knew many of their investments would require refinancing at some stage, but had assumed they would be able to provide this.

Will the second generation, the BES funds, do any better? They have the chance to base their portfolio on a solid core of old-established companies, and are able to enter into syndicated investments with other funds that add up to more than 50 per cent of a company's capital.

But they, too, must show caution. Established businesses are not necessarily successful businesses, and some observers warn that many of the companies looking for BES finance have been seeking to get bailed out after a slump. Investors who sell up within five years will, in any case, lose their tax relief. Since they have to wait that long, thy might sleep better in the interim if they do not ask how their fund is doing.

HOW THE BUSINESS START-UP FUNDS HAVE FARED

	Size of fund £'000	No. of cos. invested in	No. failed or written off	Current valuation £'000	Surviving cos. at at cost £'000
Basildon I	1,090	8	4	689	420
Basildon II	2,462	15	2	2,035	2,237
Creative Capital	355	11	3	333	248
Electra Risk Capital 1	8,680	32	12	5,706	5,873
Northern Venture Capital I	292	9	4	N/A	160

Softly, softly approach needed

FUND managers have had a sorry experience with the Business Start-up Scheme. Should the investor now be tempted to go it alone with the tax breaks of the Business Expansion Scheme, which replaced the BSS in 1983?

Only with caution, is the answer provided by the past few months. Many of the companies that have offered themselves directly to the public under the BES have been intrinsically solid investments because a great deal of their value is underpinned with hard assets such as land, buildings or wine but the prices they have been asking from investors have often been far in excess of anything they could have raised without the help of the BES.

With full tax relief, up to 60 per cent of the money you put up for a BES investment might, in fact, be provided by the taxman. That is no reason, however, to throw common sense out the window and pay any price that is asked.

John Spiers, of stockbrokers W. Greenwell and Co, believes that in recent months virtually all of the tax benefit of the BES has been taken by the companies issuing shares, not by the investors.

Other stockbrokers agree. Companies that approach them for help in raising BES funds now typically expect to raise twice as much as the brokers feel they are realistically worth.

How can the investor tell if a BES issue offers real investment potential, or just a free lunch for the company? Spiers, who is now analysing BES offerings for Greenwell's clients, gives these pointers:

- How much does the issue cost? Fees to the lawyers, accountants and professional advisers can sometimes eat up 30 per cent or more of the money being raise. This does not necessarily mean that the advisers are being greedy — it could be that the company is trying to raise too little for it to be worthwhile issuing a full prospectus.
- What stake is the management taking in the business? It should be putting in some of its own money — and £10,000 is more impressive from someone who is worth only £50,000 than it is from a millionaire. The BES company should not just be a spin-off from existing business, or it might just be abandoned when the going gets tough.
- How does the incentive scheme for the management work? Spiers feels that management has in general got a better deal in terms of share options and performance bonuses from the BES then it would have from traditional venture capital companies. He favours incentive schemes that come into effect only when a certain level of performance has been achieved.
- Who is sponsoring and advising on the issue? "I particularly like to see top firms of accountants and lawyers," Spiers says. Some recent issues have had only one firm of solicitors. This saves money, but gives rise to a possible conflict of interest. There should be a separate firm acting on behalf of investors as "solicitors to the issue" in addition to the company's own lawyers.
- How much experience do the non-executive directors have? Venture capital companies are for the most part convinced that it is essential to have outside directors with experience of starting up companies to watch over a fledgling business. Far more is required than a figurehead director.
- What asset backing is left after the costs of the issue? Apart from securing a great part of the investors' money, hard assets will also make it much easier to cash-in the investment. If you sell before five years are up, you will lose your tax relief. After that, you will still in many cases have difficulty finding a buyer for your investment. An hotel, for example, is likely to be much more saleable than an electronics company that is still only poised for success.

"We feel strongly that the BES is a very attractive scheme," says Spiers. "It's a shame that there are some abuses. The overriding thing is not to equate it with a Stock Exchange issue."

George Graham

Sterling advice: Clifford Underwood

Unprofitable exchanges

SINCE exchange controls were abolished in 1979, and particularly since the fall of sterling from its peak in 1981, UK private investors have been lured increasingly by overseas stock markets.

Unit trusts were the first, and still are, the largest beneficiaries. But a growing number of people are being tempted to invest directly in overseas stocks, particularly as UK brokers become more internationally minded and foreign companies more aware of the potential of getting finance from beyond their national boundaries.

There are, however, several pitfalls when it comes to investing in overseas companies that pay dividends in dollars or other overseas currencies. By the time the dividend is paid into a UK investor's sterling account, the sum might be little more then peanuts once the bank has knocked off its charges and given the generally unfavourable rate you get on converting small amounts of foreign money.

Take Clifford Underwood, who last October was one of many small investors who subscribed to the new share issue in the UK of Scusa, at that time still the U.S. subsidiary of a British company, Security Central Holdings.

Scusa issued 11.5m shares at 100p to raise funds towards financing its £39m acquisition of Holmes Protection, the alarms subsidiary of Security Corporation of America. The offer for sale, through Kleinwort Benson, was oversubscribed 11 times. Investors like

Investor's tale

Mr Underwood, who had applied for 1,000 shares, were allocated only 200.

The first dividend for which the newly issued shares were eligible was the final one of 1984, paid last month. The declared dividend was one cent per share. For an investor like Mr Underwood with only 200 shares, this amounted to the princely sum of $2.00. After the deduction of U.S. withholding tax, there was only $1.87 available.

On presenting this to his bank in the UK for crediting to his sterling account, he was advised that it was barely worth it. After the bank had deducted its charges he would be left with only about 30p.

Mr Underwood's adventure has, in fact, a happy ending that highlights both the drawbacks of investing in foreign stocks and the onus on investors to read carefully the prospectus of any share issue to which they plan to subscribe.

Page 16 of the Scusa prospectus has two paragraphs headed "Dividends"—surely, required reading for any potential investor. They state quite clearly that although dividends will normally be declared and paid in U.S. dollars, stockholders can opt for payment in sterling. All they have to do is complete a form available from Scusa's registrars, whose address is given in the prospectus.

The good news for Mr Underwood is that he can still do this, so he will not have the same problem with future dividend payments. But the option offered by Scusa is fairly unusual. Scusa was then a subsidiary of a UK company and at the time was listed only in the UK—initially, on the Unlisted Securities Market (USM) but, after the new share issue, on the Stock Exchange. The issue, as with the company's previous fund raising exercises, also was aimed at UK investors.

More commonly, investors do not have the option to get dividend payments in sterling. But to overcome the conversion problem, brokers offer to hold the shares as nominees for their clients. Alternatively, on receiving a U.S. dollar dividend cheque, the investor can endorse it and hand it over to his broker. The cheque is then paid into the broker's dollar account in New York and the client will later be reimbursed in sterling.

Although there is a delay in receiving the dividend, the investor will get a better conversion rate as the "dividend cheque" will be converted to sterling as part of a much larger dollar amount.

Another alternative for the more adventurous investor bent on having a flutter outside the UK is to invest in managed funds—unit trusts or investment trusts—that specialise in the U.S. or other overseas markets. Many of these, though receiving the dividends from their investments in dollars, offer sterling payment to UK investors, who again benefit from conversion of the fund's larger amounts.

Margaret Hughes

Brokers defend their record

STUNG BY last week's article (A small investor suffers) London stockbroker firm Savory Miln has sprung to their own defence. Mr Robert Erith, chairman and chief executive, says the experience of "Mr Barnes" (a pseudonym) was the exception rather than the rule and that in any event there was little to complain about.

"It's unfair to judge us on one man's experience. We could cite many winners, who are more than satisfied.

Turning to the specific criticisms levelled by "Mr Barnes" on the handling of his portfolio, Mr Erith admits that Cadbury Schweppes' shares have not performed well, in the short term at least, since the recommendation to buy was made.

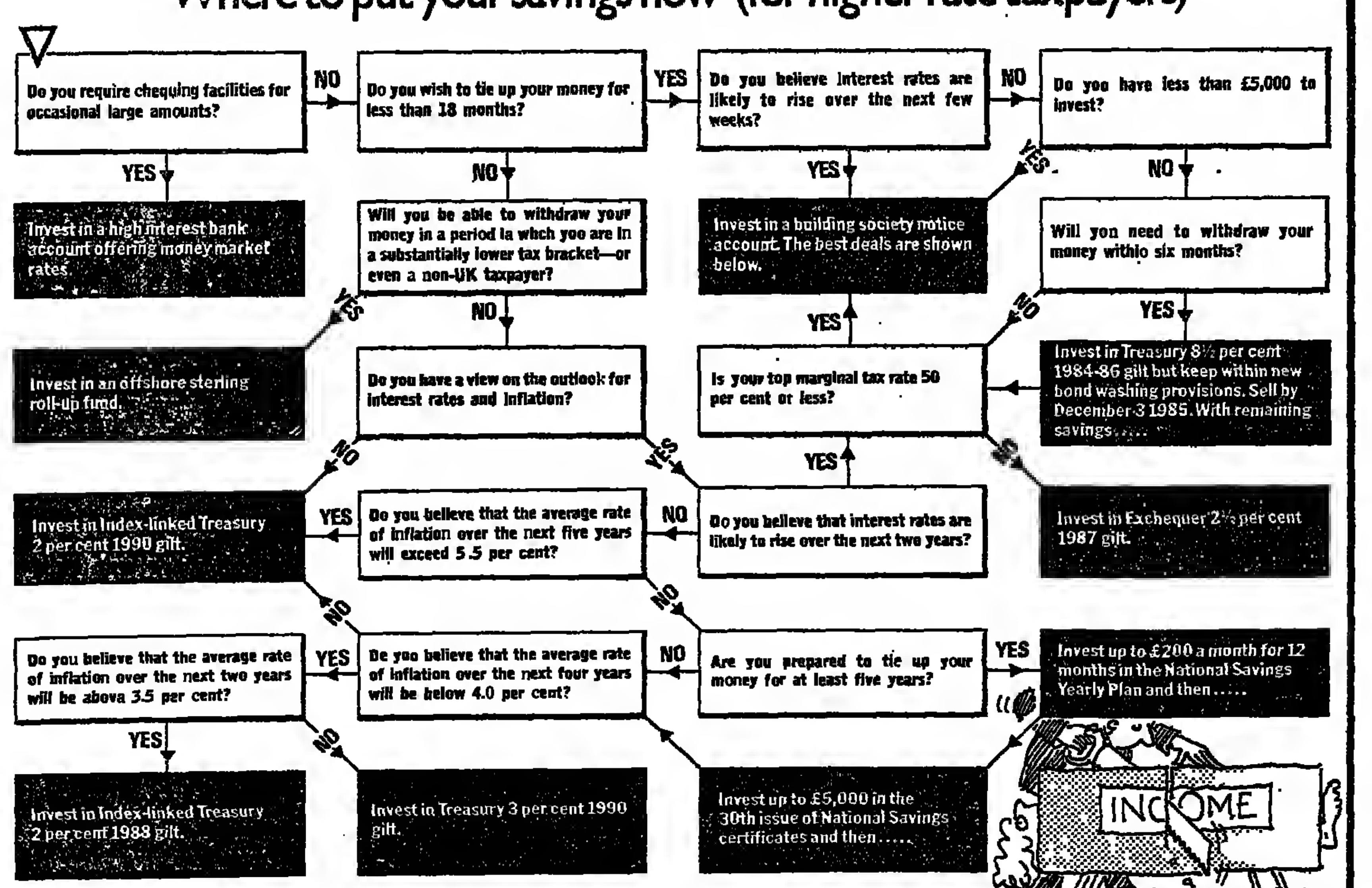
However, he claims that its share price only fell in line with the general decline in the whole stock market (around 10 per cent in the period concerned) so Cadburys specifically had not done too badly.

The decision to sell Arthur Bell shares (leaving Mr Barnes with only a small profit instead of a large one) is also defended. At the time, according to Savory Milln, the distillery shares sector was looking distinctly overvalued with huge costly surplus stocks of whisky sloshing around and the declining value of the dollar threatening the lucrative export markets.

If Savory Milln had known that a takeover bid from Guinness was looming it could not have advised clients to buy Arthur Bell, since this would have amounted to "insider" trading—a criminal offence.

Mr Erith strongly rebuts the suggestion that the company fails to provide a personal service. He says it always seeks to arrange a meeting with clients, whenever possible to review their portfolios, provides a valuation free of charge, and offers advice on improving it, including many recommendations that turn out to be profitable. They did, for example, give "Mr Barnes" an unsolicited recommendation to buy General Accident shares, which did go up.

Where to put your savings now (for higher rate taxpayers)



Bargains available for sprinting savers

FLEET-FOOTED savers can always pick up bargains in a period of major interest rate movements, like now.

The anomalies arise because the largest institutions who deal with small savers are slow to react to change in the money markets. The first indicators of a movement in interest rates are to be spotted in the market for government gilt-edged securities and the London inter-bank market, where sterling rates have now fallen to between 11 and 11.5 per cent.

These changes immediately affect the yields on the high interest money market bank accounts which offer chequeing facilities to private savers (for details of rates, see page 19 of Section One).

The next signal is a cut or increase in the Bank of England's official intervention rate, usually followed by a similar change in the Bank's base rates. On Monday, these rates were cut from 12 to 11.5 per cent, the sixth successive reduction since interest [illegible] were at their peak of 14 per cent in March.

Bringing up the rear are the building societies and the Department of National Savings. In April, May and June, as the money markets and the banks were cutting their rates, the societies were rasing theirs in a delayed response to the 4.5 percentage point interest rate hike in January.

Only over the last eight days have the societies started to shift their rates down again — and neither existing borrowers nor depositors are likely to be affected until September. National Savings, traditionally the slowest of all, has yet to respond.

These changes mean that the conventional gilt-edged market has little to offer savers at present. Even the low coupon conventional gilts, which usually attract large sums from higher rate taxpayers because of their favourable tax position, are attractive to higher rate taxpa[illegible]ly in limited circum[illegible] recommendations

By contrast, building society notice accounts, which usually beat the competition only for basic rate taxpayers because their interest payments are fully taxed, now have attractions even for higher rate taxpayers. The drawback is that unless money market interest rates again rise swiftly over the next month, society rates on higher interest accounts will be cut by at least one per centage point on September 1 — and the gilt market will then offer higher fixed returns, at least for 55 and 60 per cent taxpayers.

The adjacent table indicates the best building society offers at present for different notice periods, amounts, and size of society.

National Savings certificates and the National Savings Yearly Plan have the triple advantage of offering fixed, guaranteed rates of interest for five years, which still reflect the higher money market rates earlier this year — and which are tax-free. The 30th issue is offering a rate of 8.85 per cent per year and the Yearly Plan, by which you make monthly payments for a year, offers 9.28 per cent. To reap the benefit in full, however, you have to leave your money tied up for the entire five-year period.

The strongest competitor to National Savings for the attentions of higher rate taxpayers is index-linked gilts, whose prices have been languishing over the last few months and whose yields have therefore become increasingly attractive. Their returns will be higher than National Savings if inflation averages around 6 per cent or more.

The drawback with the 1988 index-linked gilt is that, although its redemption date is not until March 1988, the index-linking stops running eight months earlier, in July 1987.

Clive Wolman

BEST BUILDING SOCIETY INTEREST RATES

Fully compounded interest rates—grossed up equivalents (ie before deduction of basic rate and higher rate tax).

Savings product	Interest rate %	Restrictions
Citizens Regency BS Gold Star	16.6	£5,000 min. 3 mths.' notice
Alliance BS Premier	16.3	£1,000 min. 3 mths.' notice
Blackheath BS Black Diamond	16.1	£10,000 min 1 mth.'s notice
West Cumbria BS Mthly. Inc.	16.0	£1,000 min. 1 week's notice
Wessex BS Ordinary Shares...	14.8	None
Halifax/Abbey Nat./Woolwich	15.8	£500 min. 3 months' notice

The detailed figures on building society rates can be obtained from Building Society Choice, Riverside House, Rattlesden, Suffolk. Tel.: (04493) 267. Smaller building society addresses: Citizens Regency, 30-31 North Street, Brighton. Alliance, Hove Park, Hove, East Sussex. Blackheath, 14 Long Lane, Rowley Regis, Warley, West Midlands. West Cumbria, Murray Road, Workington, Cumbria. Wessex, 115 Old Christchurch Road, Bournemouth.

Briefcase

Capital gains on land sale

In November 1972, Daughter A and Daughter B bought a small house, in which their widowed mother would live in her retirement, for £10,000.

The daughters shared equally the purchase costs and subsequently shared the maintenance and running costs and a small contribution to their mother's other expenses.

As Daughter B was married to an American citizen and lived in the U.S., the house was bought in the name of Daughter A but a formal agreement was drawn up by a solicitor, shortly after the purchase, to confirm that the house was owned by the two daughters as beneficial tenants in common — and that in the event of sale they would share the proceeds.

In September 1983, the mother, who was by then 79, moved out of the house and made her home with Daughter A. The house has since stood empty except for the occasional visit by relatives for a few days.

My questions are:

If the house is sold during the next year or so, for say £35,000, to what extent would Capital Gains Tax be payable? Would this be alleviated by indexation and would Daughter A be liable in respect of the whole or half of the gain?

By virtue of section 105 of the Capital Gains Tax Act 1979 (as extended by extrastatutory concession 24, published on May 17), no CGT liability should arise if the sale contract is signed by the second anniversary of the day (in September 1983) upon which Miss A's mother moved out. It is difficult to help you without more precise facts and dates; but you will find a sketchy outline of the intricate rules in a free pamphlet, CGT4 (Owner-occupied houses), which is obtainable from tax inspectors' offices.

Hunt the tax advantage

Could you please advise on a mortgage and private pension related to tax advantage? I am not working and live on income from property (about £4,000 per annum), which is handled by an agent and of course taxed.

A man I have known for some years is moving to Germany soon and has asked me to go with him. I would like to do so, though we are not intending to get married until he retires in about six years from now. We will then also come back to live in the UK.

A cottage valued at £28,000—belonging to a relative—will be up for sale shortly. It holds many memories and I would love to buy it as a future home (possibly—but not necessarily—to be let in the meantime). I think it would be tax-wise for me to have a mortgage. Under the circumstances, how could I obtain such a mortgage? If necessary, I would be able to pay into a private pension scheme to be able to accomplish this. I am not too keen however, and not at all informed.

Since you will almost certainly need the services of a solicitor eventually—for the purchase of the cottage and for a mortgage—it is worth your while to go and talk things over with a local firm now. Your estate agent (or bank) can probably recommend a suitable solicitor, if need be. You will find general guidance in the fol[illegible]klets, which ar[illegible] tax in[illegible]

IR11—Tax treatment of interest paid;
IR20—Residents and non-residents: liability to tax in the UK;
IR27—Taxation of income from real property.
(you are unlikely to find a private pension scheme attractive).

Adjoining balconies

My property adjoins the next door property, both have a balcony which is joined and my bedroom leads onto my balcony. Since the properties were built in 1903 there was always a party partition dividing the two and so gave both privacy.

The other property is owned by the local council and at the moment it is converting it into flats, in doing so it has removed the balcony partition and although I have protested very strongly and written on two occasions it still refuses to replace it. When the flat is occupied anyone living there can walk right up to my bedroom window and peer in if they so wish. The alternative would me for me to erect one myself at my expense. What can I do?

You can undoubtedly erect a partition at your own expense. You may be able to claim the cost of doing so against the contractor who removed the partition as damages for trespass, since even if the partition were a jointly owned (party) structure there would have been a trespass to your part of it.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. [illegible] will be answered by [illegible] as possible.

A portfolio full of neuroses

Investing

IF YOU have been losing money consistently on the stock market, your psychiatrist might know more about the causes than your stockbroker.

Research by psychologists, mainly in the U.S., has indicated several situations in which people do not make consistent or rational decisions, particularly where they have to accept risks. It is worth watching for some of the most common biases that may distort your investment decisions.

The research has shown that people's attitude towards risk is much more complicated than commonly assumed by stockbrokers, who typically advise their private investors to avoid all unnecessary risks unless compensated by the probability of higher returns.

Academic investment analysts have more extreme views on the importance of controlling risks. Over the past 30 years, U.S. business school professors have had a major impact on investors by developing their views on risk into a set of principles called Modern Portfolio Theory (no one seems to know what Ancient Portfolio Theory said). MPT seeks to measure the riskiness of individual shares and of share portfolios by taking the historic volatility of a share price as a proxy for its riskiness.

According to MPT, an "efficient" portfolio is one that bears the lowest level of risk for any given expected return—or which yields the highest expected return for any given level of risk. To achieve an efficient portfolio, you need to diversify your share-holdings across a wide range of companies and industrial sectors.

On that basis, nearly all the portfolios of private investors, cobbled together through inheritance, impulse and fortuitous advice, would be classified as inefficient.

But whatever relevance the theory might have to the professional fund manager who controls other people's money, does the private investor really care about the trade-off between risk and return? Is he so concerned to reduce his risks to the minimum?

Financial journalists, as much as everybody else, tell their customers that investors are, or at least should be, averse to risk. But our readers continually contradict this view of the world.

It is not only the more sophisticated or audacious investors, such as those featured in the Investors' Tales series on these pages over the past year, who fail to follow the risk-averse strategy laid down by MPT. Even widows and orphans, who traditionally occupy the bottom rung of risk-takers in popular City imagery, seem to be interested in matters other than simply risk and return when investing in the stock market.

One elderly widow, a Financial Times reader, who recently wrote to us for advice, was a typical case. She wanted to know if she should hold onto the shares in two companies she had inherited six years ago. Her Redland shares were worth £3,100 and her Barclays Bank shares £300. Apart from that, her only savings were about £6,000 in a building society, although she had also been left a house and modest pension.

We advised her to sell the shares—after all, concentrating more than a third of one's liquid assets in a single construction company hardly represents a balanced or "efficient" portfolio. She followed our recommendations and invested the sale proceeds with National Savings.

A few weeks later, however, she complained to us: "It used to be exciting to open the newspaper every day and see whether the shares had gone up or down—and find out what they said about the company. It was something to talk about to friends. Now, there's nothing to look forward to in the mornings."

Academics are inclined to dismiss such people, or at least such arguments, as special cases. Some of the hard-liners consider such investors as deviants, barely distinguishable from compulsive gamblers. After all, psychoanalytical literature from Freud onwards explains such gambling as merely an expression of neurotic aggression against their parents expiated by continual self-punishment (i.e., losing money).

The identification of active stock market investors with gamblers has a long and respectable pedigree. Lord Keynes said in his General Theory: "The game of professional investment is intolerably boring and over-exacting to anyone who is entirely exempt from the gambling instinct; while he who has it must pay to this propensity the appropriate toll."

But there is increasing psychological evidence that even normal people do not consistently require the prospect of greater rewards to be induced to take on greater risks when buying shares or making other decisions where there is a lack of certainty.

In many cases, people appear to relish the prospect of taking risks. The British spend more than £4bn a year on gambling while a recent Australian study showed that young males, in particular, were prepared to take on high risks in search of thrills by going in for dangerous sports like rock-climbing, hang-gliding and shark wrestling.

According to Jack Dowie, senior lecturer in social science at the Open University and chairman of the university's course on "Risk," the evidence has shifted in favour of the theory that people feel the need to take on a balance of risks in their lives. If you have a secure, predictable, risk-free job, you might be more inclined to take up a risky sport. Similarly, he says, people who lead unpredictable social lives, characterised by frequent ups and downs and unstable relationships, are less likely to take on "monetary risk" than those whose social lives are tightly constrained.

This might explain partly why successful entrepreneurs often run their personal investments on a highly conservative basis, although recent research conflicts with the traditional view of entrepreneurs as high risk-takers. Rather, they are moderate risk-takers who prefer situations in which their skill, rather than chance factors, will determine the outcome.

The theory also fits in with the traditional explanation of the popularity of gambling among lower socio-economic groups and those in unskilled, routine jobs in terms of satisfying a desire for unpredictability and excitement.

The risks people accept in work, social life, driving or leisure are not the only factors affecting the riskiness of their investment strategy. Although the evidence is far from conclusive, these are some of the chief findings:

- Most people who collect substantial winnings become increasingly conservative and averse to risk. Those who have been losing are inclined to take risks beyond what they contemplated at the start in a bid to recoup the losses.
- Evidence from footballers and horse-racing punters suggests that people are too optimistic about the long shots (bets with long odds) but too pessimistic about bets with short odds. This might explain the popularity of "penny shares"—ie, shares in companies on the verge of bankruptcy where there is only a small hope of recovery. It might also explain the popularity of buying options where you take on a high probability of a small loss (the cost of the option) in exchange for a lower probability of a large gain.
- People take more risks in situations where they believe they can exercise skill or intelligence to affect the outcome—even if objectively there is little or no scope for skill. In fact—and this is one of the most clear-cut findings—people have a systematic bias towards believing they can exercise at least partial control over an outcome, and against a belief in the influence of pure chance.

This might mean that investors spend too much time trying to assess the prospects for a company, take too much credit for picking the right share, and become unduly depressed about their abilities if they pick a share that collapses. The bias against a belief in chance also allows unit trust groups to promote their funds on the basis that a year's strong investment performance demonstrates the skill of the managers—and not merely good fortune.

- Individuals who are unduly concerned about their self-image and the approval of others, and have a strong fear of failure, fluctuate between extreme conservatism, with little risk of failure, and taking absurdly high risks with negligible chance of success.
- The most controversial area of research, among both stock market analysts and psychologists, is that of the influence of the "crowd." Their particular concern is the extent to which investors abandon their caution and rush to buy when share prices are rising rapidly, or to sell when they are falling.

It was Professor Irving Fisher of Yale who declared that the U.S. stock market had reached "a permanently high plateau" just a few days before the Wall Street crash of 1929, and then explained his error by saying: "It was the psychology of panic. It was mob psychology . . ."

The belief in "mob psychology" is axiomatic to the analysis of stock markets by chartists, who try to cash in on strong upward and downward trends, although its existence is hotly denied by the business school professors and other MPT advocates.

The findings of psychology are ambiguous. But the evidence suggests that where individuals would by themselves take a fairly risky decision, groups take an even riskier decision; and where individuals would take a fairly conservative decision, once again groups are more extreme.

Clive Wolman

Deals on wheels

Car Insurance

AUGUST is the month when the motor industry is at its busiest. Over 300,000 cars are sold during August, representing 20 per cent of the total year's registration of new cars. As all these cars have to be insured, August is also the peak season for motor insurers.

Some of these 300,000 cars will be purchased by motorists who have never previously had any form of motor insurance in their own names. The vast majority, however, will be bought by existing car owners who already have insurance, trading in their second-hand vehicles. Whether or not these established car-owners realise it they are under an obligation to give their insurers full details of their new car. If they do not, they may find their cover severely restricted.

The single most important factor determining the cost of motor insurance is the group rating of the car. All cars are placed into an insurance group with numbers ranging from one to eight. The higher the group number, the higher the basic cost of cover.

Three factors determine into which group a car is placed. The cost of the car, which settles its replacement value in the event of total loss; the cost of repairs, which is relevent in the event of an accident; and the performance of the car.

One of the cheapest cars to insure is the Mini (Group 1). Its purchase price is relatively low, spare parts are cheaply and easily available and its performance can politely be described as pedestrian.

Compare this to a Rolls-Royce (Group 8) costing almost twice the price of an average semi-detached house and capable of a top speed in excess of 125 mph, and you will well understand why the respective Groups differ.

If you are about to buy a new car, you should speak to your broker and check its Group rating. If you are "up-grading" you will be asked to pay an additional premium. Indeed, if you already have comprehensive cover, do not tell insurers of the change of car to a different Group rating, and subsequently have an accident, you might find that the insurers will only give you third party cover.

There are many special offers available to motorists at present. The Royal, Minster, and Provincial are all pitching for motorists over 30 years old with a good record. The Guardian Royal Exchange offers a protected bonus scheme while General Accident pays the cost of hiring another car if your car is off the road because of an accident.

The purchase of a new car may be an appropriate time to "shop around" for new cover. If it is financially or otherwise advantageous you may decide to change insurance companies though the date for the renewal of your policy has not yet arrived. Such action would be ill-advised: insurance companies nearly always penalise you if a policy is cancelled before the renewal date.

Take, for example, a motorist who in June 1985 took out one year's comprehensive cover for his Renault 4. After two months cover, he trades in the Renault for a brand new, higher group rated BMW 320. He may be able to find another insurance company to offer him cover for the BMW at a lower premium than that quoted by his existing insurers.

However, when he tries to cancel his existing policy, rather than receiving a pro-rata refund of 10/12ths of the annual premium, he is much more likely to be offered six or seven months' worth. The balance it is claimed, goes towards administration costs. The savings of finding a "cheap" quote for the BMW are lost by the "wasted" Renault premium.

You should also bear in mind that if you decide to change insurers in the course of a policy year, your new company will give you credit only for the amount of your no-claims discount accrued at the date of the last renewal. In other words if you had an existing 50 per cent no-claims bonus, and renewal was due in three months when you would be given a 60 per cent discount, your new insurer would only give you a 50 per cent discount (the amount existing at the date of the last renewal). In effect you would have thrown away nine months of claim-free driving.

Nowadays there are so many extras available on cars that you should tell insurers exactly what you have purchased. Alloy wheels, special seat belts or customised paintwork are available on many cars as an "extra." Most people do not realise that the standard car insurance specification of the car only. It does not take into account extra items added by the owner without the knowledge of the insurance company.

If the car were stolen and you failed to tell insurers of the extras, you might be paid only the basic cost of the model in question.

However, many insurance companies nowadays will give you the value of a new car if your vehicle is within one year of registration and is worth less than half its original value as a result of the theft or accident. This is a point to check with your insurance company.

Jeremy Sandleson

Cheap rate for bangers

A NEW motor insurance policy from General Accident, Britain's largest motor insurer, claims to break new ground by offering lower premiums for the older car.

Under its new 3-Plus policy, motorists with cars at least three years old (that is, a Y registration or earlier) get a 20 per cent reduction on the premiums charged by GA on its standard cover.

Motor insurers do not usually give something for nothing, especially as their underwriting losses continue to pile up. So what is the motorist giving up by taking this new policy rather than GA's standard cover?

In fact, very little. The policy carries a mandatory £50 accidental damage excess; that is, the motorist has to stand the first £50 of any claim arising from an accident. And the cheaper policy does not have the automatic Godfrey Davis free hire "keep motoring" facility—the service offered by GA under its standard policy whereby a motorist involved in an accident has a free hire-car until the damaged vehicle is repaired.

GA is able to offer the premium reduction because the cost of repairs for cars over three years old is far less than for newer cars.

Eric Short

An insult that's lasted 179 years

FINANCE & THE FEMALE

THERE CAN be few more insulting sentences in UK legislation than the one enshrined in the Income and Corporation Taxes Act 1970. The provision, which dates back to 1806, says that, while she is living with her husband, "a woman's income chargeable to tax shall . . . be deemed for income tax purposes to be his income and not to be her income."

In 1806, working wives were rare. As recently as 1921, fewer than 10 per cent of married women worked. By the early 1980s, this had risen to 58 per cent, with another 6 per cent seeking jobs. The present system of tax for married women is outdated and discriminatory. The question is what to put in its place.

The present system has several flaws. Apart from treating the wife as her husband's chattel, it allows her no privacy in her financial affairs and it favours married couples where both partners are earning money. This is because the man receives a married man's tax allowance (MMA) — about one-and-a-half times the single allowence — while the wife has a single allowance. So the household receives two-and-a-half times the single allowance compared with twice for an unmarried couple where both partners work.

Wives can be assessed separately from their husbands. But the two are still treated as one married unit and pay the same tax bill. So one partner can easily work out how much the other has earned.

Because husband and wife are normally assessed jointly on their investment income, the husband will file a joint return. The wife has to supply him with details of her income and its sources. This means revealing to her husband what her financial assets are—except to the extent that she owns non-income bearing assets such as National Savings certificates.

There is one approximation to independent taxation—but it is only available to couples whose joint income is above average. This is the wife's earnings election, where the wife asks to be taxed separately from her husband. He loses the married man's allowance, so it is only worthwhile if her earnings would otherwise put them in such a high tax bracket that the benefit of the MMA would be wiped out. The minimum joint income that makes earnings election worthwhile is £23,794 and would be higher if either partner were receiving tax relief. The election applies only to earned income.

In 1980, the Government produced a Green Paper on the Taxation of Husband and Wife. It was supposed to suggest alternative systems of taxation but concluded that a modification of the system would be preferable to reform. But most respondents to it favoured a radical change to mandatory independent taxation—taxing the wife separately from her husband.

The main problem is balancing the principle of equal treatment of all taxpayers regardless of sex or marital status with the acceptance that households tend to pool their income and should be taxed as households. The solutions vary according to the weight given to each of these goals.

If the tax system is to be reformed with each person taxed independently, there are two ways of doing it. Both involve abolishing the MMA and using the money in other ways. The Chancellor favours full or partial transferability of allowances. This would imply taxation based on household income because it allows one partner to transfer their single person allowance to the other.

A watered-down version would allow some of the allowance to be transferred. Both measures would move the tax burden away from one-earner and towards two-earner couples and would increase the incentive for married women to stay at home. Both would be complicated to deal with if wives are moving in and out of work.

The alternative would involve more independent taxation and would be cheaper and simpler to enact. The money saved from abolishing the MMA for non-pensioners—around £3.9bn this year—would be used to increase child benefit by £7.80 to £14.65 a week. The losers would be the non-working wives, the majority of whom have dependent children. They would be compensated through the increased child benefit.

Some childless, non-working wives are richer than average and choose not to work. Others are looking after dependants who are not children—and other dependency allowances should be increased to compensate them. There is an argument for phasing in the new system by age so that women who have never had a job because they were born into a generation that did not expect them to work, would not suffer.

With either solution, one problem remains — how to tax investment income. The principle of individual taxation suggests that husband and wife should be taxed separately, but this would allow one partner to transfer assets to another to pay less tax.

This runs against the Inland Revenue's principles, since transfers between husband and wife are already exempted from Capital Transfer Tax. Many respondents in favour of independent taxation for earned income accepted the difficulty of applying it to investment income.

In the last Budget, the Chancellor promised to sort out this tangle. Yet another Green Paper will be produced this autumn. Many women hope that this time it will lead to action.

Mary Ann Sieghart

Cheaper mortgages

THIS week's half percentage point cut in bank base rate mean that home owners can expect a cut in mortgage rates of at least one percentage point by September.

Since the initial excitement of Abbey National's decision to cut its mortgage rate to new borrowers nine days ago, building societies have been remarkably quiet. Although the Halifax responded with a similar move, few other societies have so far followed suit

The other societies to cut their rate for new borrowers by the same amount as the Abbey and Halifax (to a base rate of 13.25 per cent) are the National and Provincial, Britannia, Coventry, and Midshires. All except Midshires have abandoned the differential scales under which larger borrowers were charged higher rates. The Skipton has announced the same cut, but only with effect from September 1, and is maintaining its differentials.

The general consensus is that the mortgage rate will be cut by at least one per centage point, probably more, bringing it below 13 per cent.

The societies could, had they wished, have simultaneously lowered the mortgage rate for existing borrowers as well. As it is, they are getting a poor deal.

This has happened before. In February, the Abbey cut the differential on loans over £30,000 without making the same adjustment for existing borrowers until criticism forced it to relent. The Abbey led the way again this time in differentiating between new and existing borrowers. What is perhaps more worrying is that it was followed instantly by the largest society, the Halifax.

Margaret Hughes

Coming home on a home loan

EXPATRIATES

BRITISH expatriates intending eventually to return to the UK to live and buy a house should consider whether to spend all the savings they may have managed to build up, or to borrow some of the purchase money from a building society or bank.

The best advice could well be to apply for a mortgage. House prices in the UK have easily outstripped inflation since 1970. The family home has proved to be an increasingly valuable asset; and, on the evidence of recent surveys, home ownership is now one of the priorities of every adult in Britain.

For some the cost of buying is just too high, leaving no alternative but to rent accommodation. But the British expatriate has the opportunity whilst abroad, through high earnings (and, perhaps, low taxation), to accumulate substantial amounts of capital. The crucial decision is whether to buy a house outright, or to finance at least part of the purchase through a mortgage.

In many cases outright purchase is unlikely to prove the most effective use of available capital. A mortgage has two distinct advantages: freedom to retain capital in a form of investment permitting easy realisation if required; and considerable tax advantages.

Mortgage interest on loans of up to £30,000 qualifies for full income tax relief; a tax saving at the individual's highest rate. As the table shows, this can reduce overall interest costs considerably.

Borrower's marginal percentage rate of tax on total income	Bank or Building Society gross annual percentage rate of interest	
	10	15
30	7	10½
45	[illegible]	8¼
60	[illegible]	[illegible]

In most cases, this benefit is only available after residence in the UK has been resumed, but sometimes even expatriates can take advantage of it. It is important to remember, though, that no relief at all can be claimed on funds borrowed overseas.

Even if interest is only relieved at the basic rate of tax, money borrowed for house purchase can provide high investment return. Anyone subject to higher rates of tax should achieve an even greater "profit."

Borrowing can release a like sum for investment elsewhere, which will itself bring in an income. The figures below illustrate what might follow from effecting a £20,000 mortgage.

	£
Interest on £20,000 borrowed at 12 per cent	2,400
Less tax relief at 30 per cent	720
Net Cost	1,680
Dividends on £20,000 invested at 5 per cent	1,000
Less tax at 30 per cent	300
Net Income	700
Annual income loss on mortgage interest ...	980

(By investing abroad, an expatriate could receive dividends tax free.)

So, borrowing for house purchase is likely to give rise to an annual loss of income. Where the benefit lies is in [illegible] capital [illegible]ilst the amount borrowed is fixed in money terms. £20,000 invested in stocks and shares ten years ago, increasing in line with the Industrial Ordinary Index, would now be worth £56,912. Consequently, the profit from borrowing over ten years would be:

Value of investments		56,912
Deduct mortgage repayment ...	20,000	
Annual income loss £980 x 10	9,800	
		29,800
Profit		27,112

UK non-residents who let their mortgaged property can obtain tax relief by setting the interest off against rent received. More surprisingly, anyone with a mortgage to which the MIRAS Scheme applies — whether resident in the UK or not—can deduct relief at 30 per cent when paying his interest, whether he pays any UK tax or not.

The legislation sets out the classes of lender who qualify to operate this Scheme. Representatives of all of the major sources of mortgage finance, for example, building societies, banks, and insurance companies, have applied for inclusion. But the Scheme does not apply to private loans, so if you have your mortgage from, say, Aunt Freda's Trust, you will have to continue paying your interest gross and claiming your relief separately—if you can.

Some borrowers will not qualify under the Scheme. It excludes those whose salaries are exempt from UK tax by reason of "some special exemption or immunity." So foreign diplomats and servicemen in the UK will not be able to claim the relief. However, it is important to note that this provision does not exclude British expatriates. Their earnings avoid UK tax because of the law, not through any special exemption or immunity. Furthermore, HM diplomatic and service personnel are not prevented from claiming the relief simply because they receive a tax-free overseas allowance.

The loan itself is the obstacle expatriates must surmount if they are to obtain tax relief. In the first place, the loan must be granted for the original purchase or subsequent improvement of a property, or to repay money lent for those purposes. Furthermore, the property must be in the UK and must be used wholly or to a substantial extent or the only or main residence of the borrower, a former or separated spouse, or a dependent relative.

To satisfy this test (in the case of a property which the borrower retains for his own use) it will be necessary for one or other spouse, together with any children of the family, to live in the property for periods totalling probably nine months every year. It will not matter if the children are away at boarding school or university. But if, for example, young children stayed abroad with their father, whilst their mother remained in the UK property, the Inland Revenue would probably not treat it as the main residence.

Although the rules will be applied with some flexibility, that living in the property for a bare six months each year will not be sufficient.

For those employed full-time overseas, who cannot comply with the general rule, there is an extra-statutory concession. It will be little help to expatriates with open-ended contracts.

First, they must show either that the property was used as the main residence before going overseas or that it was purchased during a leave, then lived in for a three-month period by the spouse who had been working overseas.

Also you must expect your employment overseas to last no more than four years, following which you intend to resume full-time residence in the property. The loan will then be regarded as within the rules, in such circumstances.

Gordon Rogers

• PROPERTY •

A timeshare to cure all ills

The title of Baron goes with the restored 16th century Carnousie Castle, 30 miles from Aberdeen. William Jackson, Knight Frank & Rutley, Edinburgh (031-225 7105), are seeking offers in excess of £90,000.

ABOVE the River Dee, among oaks and silver birch, is Craigendarroch, Gaelic for hill of the oaks. In this setting is a new timeshare complex attached to a country mansion hotel in 29 acres off the Braemar Road, Ballater, on Royal Deeside.

The £6m development is by Kildonnan Investment, a £12m-turnover company based in Queenes Road, Aberdeen, headed by George Simpson, a draughtsman who set up on his own in 1973. (The company have built over 1,500 houses around Aberdeen, and have recently received outline planning permission for a 1,000-house development on a 200-acre site at Kingswells.

Before 1760, Ballater was a small *clachan*, hamlet with a church. Then came an old woman who claimed she had cured her skin disease by bathing in a bog.

The village became known for its health-giving waters and the Fertility Stone, through which childless wives crawled to be assured of offspring.

Prices for the timber and stone built lodges at Craigendarroch range from £1,350 in the low season to £3,500 for the first week in September.

Most lodges have whirlpool baths and saunas, and facilities for playing tennis, squash and snooker. A dry ski-slope and curling pond are to come. You can also go fishing in the River Dee, glide over Loch Kinord, or sample some malt whisky at the Glenfiddich Distillery, Dufftown.

At the opening of the Craigendarrach Hotel and Country Club last month, Alan Devereux, chairman of the Scottish Tourist Board, called the project "a much needed visionary development which will attract year-round visitors and support more than 100 jobs."

Some 230 weeks have been sold, and total sales are £1,150,000. "Time-owners can be divided into two age groups—people in their late forties with children away from home and with a declining mortgage; and fast-moving executives in their mid-thirties with a young family and a liking for outdoor and activity holidays," says marketing director Christopher Gordon.

Matthew Balfour, Strutt and Parker, Edinburgh, says location is the most important factor in the country residential market around Aberdeen. "Houses within 20 minutes to half an hour drive of the city are at a premium, and values drop off fast beyond this distance. Deeside is the only place where values extend further."

Potterton House in 46 acres about five miles from the centre of Aberdeen, aroused considerable interest on a guide price of more than £150,000. The 1880s-built house, with five bedrooms, gun room, enclosed swimming pool and coach house, went last week to a local company director for just under £200,000.

Matthew Balfour points out that enthusiasm for good houses ran higher a few years ago because of demand by oil-related companies. "They wanted to find the right accommodation for their more important executives to persuade them it was worth while relocating to Aberdeen or nearby. Now the rush is beginning to slow down a little."

Many properties are promoted with the slogan "Move in Next Week." Sold on the Scottish missive system, where legally binding "letters of intent" are exchanged at an early date, there is no need for delay.

"Entry" arrangements are given on the particulars of a property, as are convenient viewing times. For a new house there will be a Certificate of Occupation from the local authority.

When buying in Scotland, beware interest rates charged if settlement is not received on time. George Simpson, of Kildonnan Investments, says they charge 20 per cent interest if the completion money is not forthcoming within 14 days of the agreed date. "In practice this rarely happens, as it is cheaper for the purchaser to obtain a bridging loan from his bank than to pay us interest if he has not sold his present home."

Solicitors and estate agents combine successfully for selling. The Aberdeen Solicitors' Centre, Chapel Street, Aberdeen, proclaim "Two Hundred and Forty-Two Million Pounds' Worth of Property Sold in 1984." A buyer can see in one place all the houses available for sale in the area. As solicitors sell 95 per cent of the domestic properties in Aberdeen and the North-East, the centre claims the seller gets the best coverage for his house.

ABERDEENSHIRE LISTINGS:

- A small, three bedroom semi-detached stone cottage with the possibility of extension, on the main road just before Ballater, is offered at over £32,000 through Scullion Law and Co, Victoria Street, Aberdeen.
- Savills In Scotland Property Supplement, just published from 46 Charlotte Square, Edinburgh, shows that with the promise of a good harvest the price of agricultural land could be forced down. Says Guy Galbraith: "The prudent investor buys in a falling market to widen his choice and enable him to secure a property at a reasonable price."

June Field

Lucky dip pulls in the customers

TIME-SHARING is catching on fast in the U.S. as a way to get sluggish property sales moving. But many companies marketing this kind of investment do no newspaper or magazine advertising. Nor do they send out thousands of mail shots. Instead, they entice customers through the door by offering the chance of winning a trip to Disneyworld, a holiday in the Bahamas, $1,000 in cash or a range of other attractive prizes.

At shopping malls, boat shows, fashion parades or outdoor entertainments, unsuspecting strollers are invited to register for a free draw, with "Mickey Mouse" or a model girl handing out the tickets. The recipient fills in his name, age, status, phone number, occupation and hobbies . . . and if he is single or unemployed that is usually the last he hears of it.

More promising targets are telephoned two or three days later, and a voice bubbling with excitement announces that they have been selected to participate in the draw for all these wonderful prizes. The caller takes time to emphasise that the holiday offer really is all expenses paid. Then he "confirms" the personal details supplied on the registration ticket, and adds a discreet inquiry "to help us with our market research" on whether joint income is above or below $26,000.

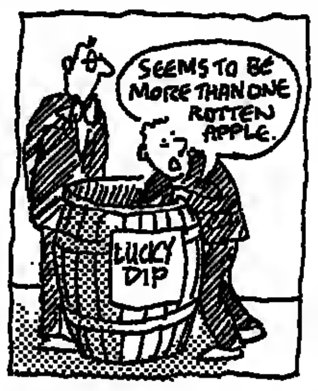
If it is above a level at which the household could afford an investment or two, by monthly payments, the subject immediately becomes a "qualified client" . . . although he rarely recognises the connection between the income question and what follows. Now, not only has he or she been "selected to participate in the draw," but is guaranteed one of the six or seven prizes in the list, and must remember the password "Disneyworld" (or whatever).

All the qualifier has to do is to bring husband or wife (the caller is insistent that couples must come together) to an appointed address, put a hand in the barrel and pull out a winning number.

Officially, the caller is also supposed to explain that attending a film and presentation on a time-share development, with no obligation to buy, is part of the deal. But sometimes he gets carried away with enthusiasm and the detail is omitted. After all, "It's hard not to be happy when you're giving away free vacations," says Steve Lyons of Time and Travel, a Dallas-based promotional company devoted to generating customers for anything from real estate to home energy systems.

Steve, a former musician, appears to be very happy. He used to work in Florida as a $5-an-hour concrete contractor, but transferred to Texas when he found he could earn twice as much pouring ready-mix there. Now he sees himself as "back in the entertainments business" in partnership with his model-girl wife. They operate from glass-walled, airconditioned offices, and employ 20 people in outdoor promotions and 'phone rooms. Each qualified client they can deliver is worth $50-$69, and at present they are delivering 200-300 a week.

Time and Travel is one of several "generator" companies retained by Advanced Marketing Techniques (AMT), which is handling 104 units on the Ruidoso development in New Mexico for Triple Crown Condominiums, as well as projects on South Padre Island and Port Isabel, near the Mexican border.



Originally based in Houston, AMT moved out to Dallas/Fort Worth when recession hit the oil industry. It now runs six phone rooms of its own, to try and boost the present intake of 700 potential customers a week to between 1,000 and 1,500. Including the expenditure on gifts, each of them costs the company $85, whether they buy or not.

The $40m sell-down of the 104 Ruidoso units is targetted for completion in two years, with average buyers paying 10 per cent down and monthly instalments of around $150 over seven years. Triple Crown, which built the development for whole-ownership but found it "sticking" in the market, will get only about half the gross proceeds.

The names behind Triple Crown are ex-Governor John Connally (invariably pictured in a 10-gallon hat), his former Lt-Governor, Ben Barnes, and one of the biggest commercial builders in the South West, Joe McDermott.

The Barnes-Connally partnership is big business and "everybody who is a Texan knows they are sound," according to AMT executive Dave Simpson, who adds that Connally owns several hundred oil wells.

There are no printed figures to take home and study. The only piece of paper which the lucky draw winner sees on a first visit to the Triple Crown offices is a statement explaining the purpose of the presentation he is about to attend, and which he must sign to confirm that he understands he will receive a free gift in return for 90 minutes of his time.

A presenter, who is on first-name terms from the word go, is assigned to each couple. He is disarmingly frank about the draw prizes . . . "Of course you've guessed that we're giving away a lot more sets of luggage than trips to Disneyworld or $1,000 cheques" . . . but whatever their reaction to the presentation, each participating couple does get the prize corresponding to a number drawn from the barrel and is asked to indicate that he is satisfied.

There have been complaints of misrepresentation—and it is true that the "three-piece set of Gloria Vanderbilt luggage" turns out to be a folding travel bag made in Taiwan, with two eight-inch wash bags.

But according to Dave Simpson, there is nothing underhand about the luck of the draw. "We gave away $99,000 worth of major prizes last year, and we have to keep one each of the big-prize numbers in the barrel at all times. As soon as one is drawn we replace it." If the odds are 3,000 to 1, that's better than the Texas lottery, and it costs nothing to enter. It certainly pulls in the customers for the salesmen to work on.

Mary Frings

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TRAVEL • MOTORING

Good reason for leaves of absence

SORRY TO bring the subject up, but autumn is on its way. We are only six weeks away from those first crisp mornings when the leaves of Maine and Vermont are likely to start changing colour. Over the following month the band of red and gold will move south through Massachusetts and Connecticut to New Hampshire and southern New York State. It will be New England in the Fall.

The uncertain performance of the dollar recently has brought the prospect of seeing this dazzling natural display back into the realm of financial reality for Europeans.

The Fall display in New England is partly due, of course, to the trees involved, but much more a matter of the type of weather this part of the United States enjoys in the late summer and early autumn. Good foliage relies on a combination of factors rarely seen in Britain.

You need, I am told, a spell of dry weather. Then the temperature must fall suddenly. If the temperature falls slowly the leaves only gradually change colour, and you get a mottled display rather than a brilliant flash of one colour. Once the leaves have changed it must continue dry, and there must be very little wind — rainstorms drive the leaves off the trees. Long, dry, windless, cold autumns are not a normal feature of British weather conditions and where they are, for examples in western Scotland, the trees are not right.

The devil of planning a foliage holiday is that nature is not entirely predictable. In theory the Fall arrives in Maine in mid-September, creeping south at an average speed of around 35 miles a day. In fact the best foliage season can be early or late; it can remain static for a few days or take sudden giant leaps southwards.

For this reason I would advise against other than booking the most basic of foliage trips in advance. Book the flights by all means—to Boston or New York—but be prepared to change plans considerably when you arrive. It is not difficult to find out where the Fall has reached. Many newspapers track its progress, particularly the Boston publications, and it is easy to head for the prettiest hills.

It is less easy to find accommodation. The foliage change is one of America's prime tourist attractions, for residents as well as foreigners. It is a photographer's delight. Thousands of cars will be heading along with yours for those same forests; the demand for rooms is considerable. Anyone who tells you "You can always find a motel room in the States" has not been to New England in the Fall.

My advice would be to use a couple of the better guides—the Mobil Guides are good starting points, but the country inn guides you will find in good U.S. bookstores are worth buying—and book each successive night ahead. If you find a good inn they may well be able to recommend another not far away. This column will look more closely at North American country inns in a few weeks time.

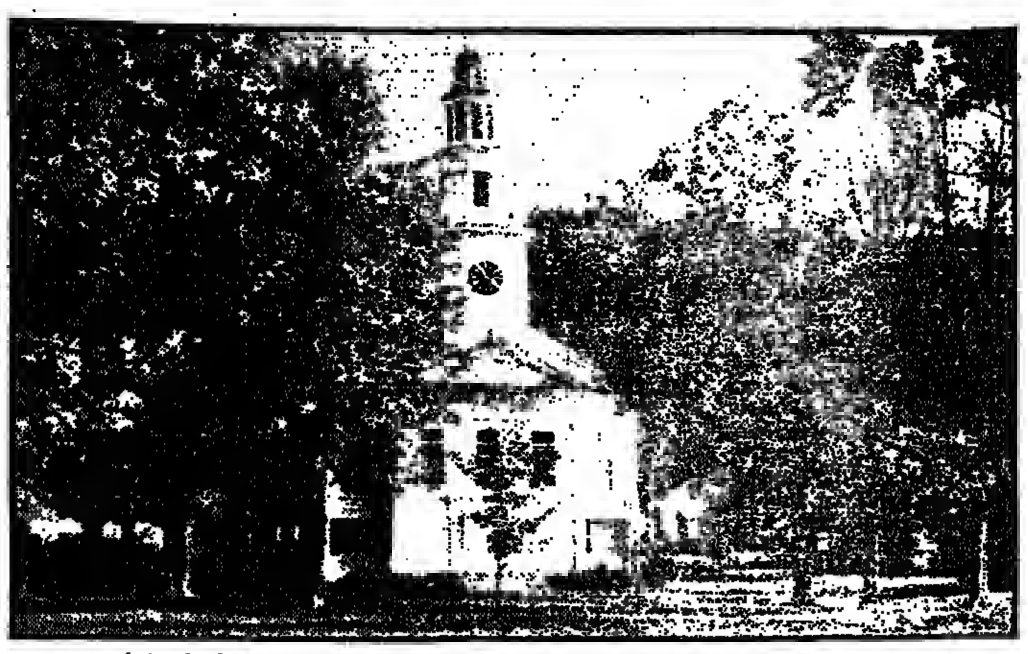
Travelling independently, I would suggest a start in New York, for acclimatisation, taking in some shows and a few restaurants, followed by a general meander northwards with the intention of returning home from Boston. I would not be wildly enthusiastic about renting a car in Manhattan. It is much easier to head north by some other means (even taking the train only as far as Albany in New York State is a good idea) and renting on arrival.

This is an area of America where there is a great deal more to do than simply see the vegetation. The coastline of Maine is spectacular. Further south some of the old seaports are well worth some time: the witch land of Salem, the superb refurbished area of Mystic, the whale museum at New Bedford.

Seafood is delicious, and one of the reasons for suggesting a departure home from Boston is that you can buy live lobster on departure. It is packed in ice and guaranteed for the flights. I brought some back a few weeks ago and UK customs did not turn a hair.

Further information: British Airways has flights to both New York and Boston. A Poundstretcher return fare out to New York and back from Boston in the first week of October would be a little over £300. Cosmos Tours has a New England package that looks after everything including flights and hotels with a brochure price of £815 which can be affected by currency changes. Ask your travel agent also for the Jetsave brochure on North American flights.

Arthur Sandles



A typical Vermont church on the village green in Chelsea, Vermont

A gentler side of California

HOW GREAT to be back in California. And how exhilarating to be roaming free in the only style that extracts the full delights of that lovely state: behind a steering wheel, seeking the byways and backwaters.

Ultimate objective of this autumn expedition was ground previously unbroken, not only by me, but by most other foreign West Coast devotees: the city (and county) of San Diego. Tucked into the bottom left-hand corner of the U.S., nudging the Mexican border, it has long been favoured as a place to holiday—or retire—in the near-perfect climate that endows pleasant, easy-going communities flourishing amid many varieties of inland and coastal beauty.

But such places have to be put in perspective—which was sufficient excuse to set out from the perceptually beguiling San Francisco, whose charms are now replenished with the return of the cable cars, restored in all their 19th century glory.

Heading south on Route 1, tracing the coastline, we paused for a day or two in a Carmel Valley inn to renew acquaintance with the Monterey Peninsula, Carmel-by-the-Sea, which is almost too pretty, and the seals and sea-otters among the dazzling white surf of Point Lobos.

Then, as we embarked on the next and most dramatic stage, the car radio repeatedly reminded us "It's Turkey Day." Thus, with so many of the natives housebound giving thanks, hardly another vehicle disturbed the 80 glorious miles of sweeping hi[...] that hang high on the [...] are mountains around [...]r and dip down to long, [...]ed beaches, booming with tall Pacific waves that start from Japan. Surely San Diego could not match this.

And so to the clutter, the plain awfulness of Los Angeles, engulfed in violent Fall rain, traversed as rapidly as prudent on one of the bisecting freeways, all ten lanes awash. In the haven of Orange County, the next morning dawned cloudless over Disneyland, where the hilarious terror of a "space ride" proved irresistible, and then it was back to Route 1 for the last, unfamiliar, lap.

Now the air was distinctly warmer and drier, the small towns and modest resorts more gentle, the shoreline softer, yet once again unspoilt and dangerously eye-catching for the driver.

The more gentle environment proved an accurate introduction to San Diego.

The city's setting is not as magnificent as San Francisco's, or its terrain so precipitous. But its semi-encircling harbour is still a dominating feature of the city, long the home of much of the U.S. Fleet, and it boasts a great bridge, which snakes across 3½ miles.

Upon its undulating hills are set Spanish-style buildings, preserved from a colonial past, and a handsome green park named Balboa, where the people stroll, land play and jog, and enjoy much of the city's more traditional culture in a clutch of museums and galleries and a theatre.

No, the coastline is not as awesome as Big Sur. But the beaches must be among the best in America—85 miles of them.

The San Diegans are proud of their city and its character though they like to be labelled "laid back," they are in fact sharply alert to ensure that its growth is careful and well-planned. The steady influx of people and high-tech industries, drawn by the sunshine, will not be allowed to turn an attractive community into an insidious sprawl as has happened further north.

The modern, clean-cut downtown area is alive with building projects, under orders to preserve historic landmarks and provide leisure areas among new shopping and eating places. Along the waterfront a huge site already houses Seaport Village, one of those 1980s complexes of trendy shops, restaurants and galleries complete with kerb-side entertainers.

San Diego's environmental concern has long been personified by its Zoological Society, and its city zoo in Balboa Park, which is one of the world's most distinguished.

Les is known of the younger companion establishment 30 miles to the north in the San Pasqual Valley. This is the San Diego Wild Animal Park, spread over 1,800 acres of reclaimed desert scrubland, but still within city limits. Though a militant opponent of animal confinement, I came away impressed by the way the animals' natural habitats had been reproduced in a long, sun-back canyon, divided into geographical sections—northern, eastern and southern Africa and Asia. Here elephants, lions, rhinos and many more creatures have been given great freedom in natural conditions controlled only to the extent needed for their safety and to facilitate discrete observation from a silent monorail train, carrying visitors 5 miles round and back.

In much the same tradition, though with a heavier accent on entertainment, is the marine zoological park, Sea World, whose cast of thousands includes some remarkably versatile killer whales.

Much of San Diego's Spanish heritage has been preserved throughout the city — in churches, missions, museums, adobe houses, many of them in the Old Town, high on a hill. Some have become fine restaurants, often serving hot Mexican food, which rivals the excellent sea-food in local popularity.

However, for a touch of Mexico, the visitor can get the real thing by jumping on one of the smooth electric trolley cars in the city centre and riding to the border with Tijuana. With a dozen brief stops the trolley makes the 16 miles in 30 minutes. The trip ranks with Hong Kong's Star Ferry and New York's Staten Island Ferry as one of the world's great tourist bargains.

It is hardly worth taking the car anyway: the return trip is likely to start in a long queue at U.S. Customs, on the lookout for drugs.

We made it a day's outing despite the protestations of the locals that Tijuana was brash, grubby, full of beggars and trashy souveniers and a travesty of the real Mexico. It was all of those things: But great fun and not to be missed.

To get full value from San Diego and California in general a car is essential. So Fly-Drive is the way to go. Various British tour operators offer packages. Jetset Tours charges £430-£516 per person for a flight to Los Angeles and a car for two weeks. You can start at San Francisco and return from LA without extra charge.

Alan Ponsford

San Diego's Sea World is a must for tourists

BRIEFS

WOOKEY HOLE has opened a new attraction—the Old Penny Pier Arcade, a recreation of an Edwardian pier, with one of Britain's largest collections of old slot machines.

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THE MOUNT FUJI climbing season in Japan is in full swing. The recommended route to the top of the 3,776-metres mountain starts with a bus from Tokyo to the fifth stage (2,400m). You start climbing before noon, and reach a hut very close to the top in three to four hours. There you stay overnight, and complete the climb in about 90 minutes, in time to greet the dawn from the summit. This is no gentle ramble—you will need determination, waterproof clothes, and climbing boots.

●

BRITISH RAIL has extended its series of steam-hauled Sunday lunch trains until the end of September. The trains leave from London's Marylebone Station at 10.30 am, with a pick-up stop at High Wycombe, and serve lunch en route to Stratford-upon-Avon. The first-class return fare, including lunch, is £32.50.

●

ROYAL CARIBBEAN had added another departure to its Concorde fly/cruise programme. There will be an 11-day New York/Bermuda cruise in early September. The trip includes a 747 flight to New York, a sailing to Bermuda, three days on the island, with the ship, the Nordic Prince, being used as an hotel and then a sailing back to New York. After two days in New York (at the Grand Hyatt) there is a Concorde flight back to London. Prices range up from £1,525.

●

FOR THOSE with $1m to spend, and no objection to a five-year waiting list for departures, Society Expeditions of Seattle is offering something really different in the way of travel trips. It is planning a series of three-day holidays in orbit using modules launched by the space shuttle. Serious enquiries only, please, to 723 Broadway East, Seattle WA 98102, USA.

●

NORTH KOREA does not feature large on tourist maps, but Regent Holidays is to run tours there from April of next year. Bristol-based Regent reckons the tours will appeal to bird-watchers, botanists, and steam-railway enthusiasts, as well as students of political life in this little-known country. Trips, costing around £1,700, will be via Peking with onward journey by steam train, and a return journey through the USSR. North Korea is basically a mountainous country compared with the more agricultural south. The relationship between the Koreas is not dissimilar from that between the Scots and the English—one regarding the other as muscular hunters who raid from time to time, and the hunters regarding the southerners as effete decadents. The major difference is that the Koreans take their divisions a deal more seriously.

●

BRITISH Airways economy class passengers wanting special meals on short haul flights to Europe should be able to get them in future. In the past the service has only applied to Club Class and long haul flights. BA offers vegetarian, kosher, kedassia, Hindu, Moslem, children's meals, low fibre, fat free, salt-free and diabetic meals. The meals must be ordered at least 24 hours in advance.

●

THE TURKISH Government, riding on a tourism boom at the moment, has moved to reject reports that the "wrong" stamps in your passport can mean refused entry to this basically Moslem country. "We welcome visitors whichever country they have visited previously," say the Turks. UK visitors do not need visas. A passport is enough for a three month stay.

●

ONE OF my fonder memories of recent years is of attending the Galway Oyster Festival, a rumbustious event where the arrival of the new season's oysters is greeted with downing of Guinness and dancing in the streets. The world oyster-opening championships held, when I was last there, in a marquee green with the rain of ages is an event of where international skills are demonstrated at lightning speeds. It is a fact that few know that the Irish open their oysters from the opposite side to other nations. Aer Lingus is offering festival packages that include the opening banquet, the contest, much singing, dancing, and pageant—plus ample supplies of oysters, from £192.50, including a rental car and full Irish breakfast daily. The festival runs from September 26-29.

BMW adds more muscle

BMW's most muscular small car, the 127 mph 323i, is being replaced after the Frankfurt show in mid-September by a new 325i. It looks little different but has another 21 hp (171 bhp compared with 150 bhp) and BMW says it is good for 134 mph.

Even to talk of such top speeds is enough to have the constabulary reaching for their Vascars. For all practical purposes, they mean very little unless you drive a lot in Germany. Nor is the slicing of 0.7 seconds off the 0-60 mph acceleration (from 8.8 to 8.1 seconds) really significant because such times are obtained by dropping the clutch at 5,000 rpm so roughly as to make the rear wheels spin. Would you drive your own — or your company's — BMW so brutally? I thought not.

The 325i will be dearer than the 323i, which costs from £10,895 with two doors, £11,320 with four, and will not be available in right-hand drive until late in the year.

Anyone who feels unable to wait until winter for a more potent small BMW should call Sytner of Nottingham (0602 582831), the UK concessionaire, and ask to see an Alpina C2.

Alpinas are not converted BMWs and the normally jovial Herr Burkhard Bovensiepen, the Bavarian connoisseur of wine, food and fast cars who created the marque, looks pained if one refers to them as such. True, they are made from BMW components, but these have been shuffled around and, where necessary, modified. The C2 has a 2.5 litre engine tuned to produce no less than 185 bhp (14 bhp more than the new BMW 325i) and, according to Alpina, will reach 142 mph.

It comes as a two-door or four-door saloon or as a two-door cabriolet from £16,995 upwards. When I had a two-door C2 recently I was unable to let it properly off the leash but was most impressed by its easy driveability in town and its long legs on the motorway.

No saloon car has faster reactions than the Alpina C2. Its steering is power assisted and the tyres are fat Pirelli P7s. The merest pressure on the steering wheel rim brings an instant response. It is a car one thinks, rather than consciously steers, round bends. On the debit side, I noticed more tyre thump when driving the C2 than I had in other, larger Alpina cars based on BMW 5-series and 7-series saloons and 6-series coupes.

It has an exceptionally deep front air dam — so deep that it often hit the road surface while I had the car, though did not seem to suffer damage. In combination with a spoiler on the boot lid, the dam smooths the flow under the car and reduces aerodynamic lift, which can be a problem with really fast cars — and not only those of truly high performance. The owner of a Range Rover, who admitted to using speeds "which delicacy forbids me to mention," wrote to me recently saying that at times she had had a distinct impression of the front of the vehicle becoming airborne. "The tyres are no longer carrying the whole weight of the chassis. It is the sensation of an aircraft approaching rotation (take-off) speed."

That certainly would not happen with the Alpina C2 which, I have no doubt, would be as satisfyingly speedy on the autobahn as it was handy to drive — and park — in London EC4. Fuel consumption ranged from 17.8 mpg (lots of short runs in heavy traffic) to 27 mpg (motorway driving at sensible speeds). It was wholly untemperamental, firing up instantly, hot or cold, and behaving like a one-gear car from 60 mph upwards.

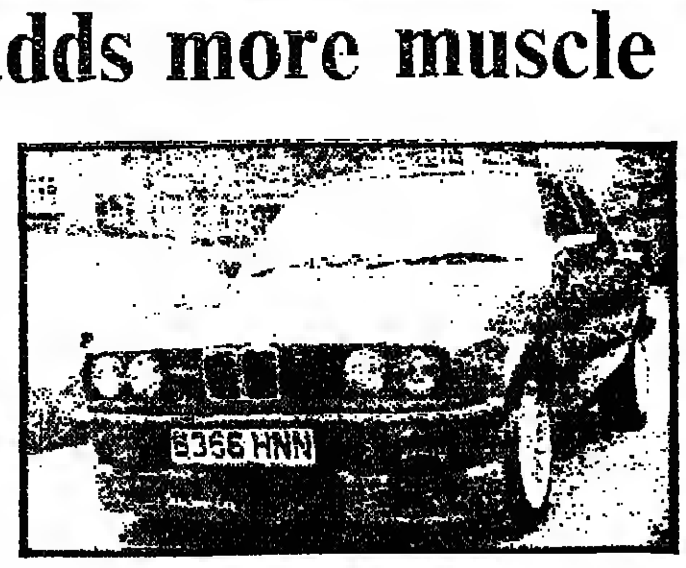
There is not all that much room in the rear behind the leather trimmed Recaro front seats, but it was adequate for two adults and the boot is large.

An off-the-peg (though rather special) Mercedes-Benz aimed at the kind of drivers who now buy Alpinas has just gone into British showrooms. The 190E 2.3-16 is a high performance derivative of the compact 190 saloon. Spoilers and skirts reduce aerodynamic lift by more than 40 per cent compared with the standard 190. The twin overhead camshaft engine produces 185 bhp at 6,200 rpm and is said to be content to spin at up to 7,000 rpm for long periods. The special cylinder head was developed jointly by Mercedes-Benz and Britain's Cosworth Engineering.

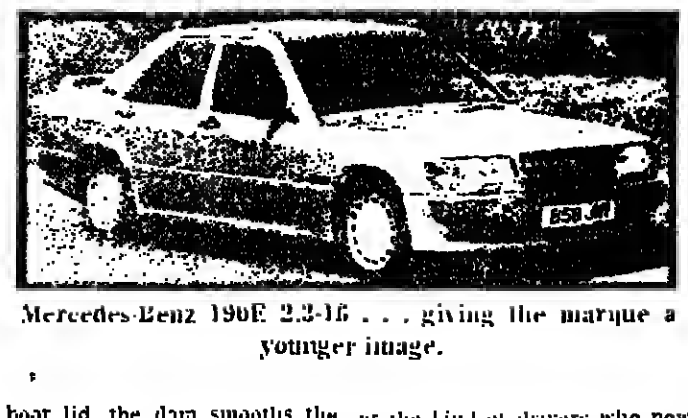
Clearly, the idea behind the 190E 2.3-16 (was there ever a more boring name for a very exciting car?) is that it should give Mercedes-Benz a more youthful and sprightlier image. At the moment, the three pointed star tends to indicate that the owner is successful and well heeled but probably no longer young. The 190E 2.3-16 should change all that, with its 145 mph maximum and blistering acceleration.

I have not yet driven it but plan to take one to the Frankfurt show which, with a lot of new models making their debut, promises to be a notable one. I reckon the 190E 2.3-16 will make it a trip to remember, too.

Stuart Marshall



The Alpina C2 . . . for those who cannot wait for the new BMW 325i.



Mercedes-Benz 190E 2.3-16 . . . giving the marque a younger image.

Normandy where war lingers on

MILITARY archaeology is a good reason for a trip to the Cotentin peninsula in Normandy. There is calvados, cider and cream. Visiting Bayeux to see the tapestry of the Norman invasion of England will give perspective to the beaches, museums and cemeteries of the Allied landings in France.

The museum of the Airborne Troops at Ste Mere Eglise, south of Cherbourg, is a place to begin, as that is where the American 82nd Airborne Division arrived from the skies a few hours before the landings began on the beaches, as the 101st did nearby, while their British counterparts were liberating Pegasus Bridge.

The museum is in the shape of a parachute. You enter the display inside through a WACO glider of the sort used that day, when life clearly changed for a quiet Norman market town. The gliders had set out from such places as Greenham Common and Aldermaston, to face the unpleasantness of Rommel's "asparagus tips" — a nickname which only the French could have invented for poles stuck in the ground. The parachutists started from airfields in Leicestershire and Nottinghamshire.

The display explains it all, and is a loving and moving collection of photographs, maps, plans and objects gathered in the town or at Utah Beach nearby or sent from the United States.

In the country between Ste Mere Eligse and Utah Beach are many small monuments and road signs to remind you of the liberation. It is pretty country with hamlets and manor houses, flattening out towards the sea. It is easy to see how much easier it was to land there than at Omaha Beach with its bluffs and cliffs, where the casualties were bad.

If you have time, visit a German cemetery and a British one and the great American one overlooking Omaha Beach. The British cemeteries are well gardened and numerous. The Americans have collected all their dead in one spot: such a mixture of names from very far away. The central monument has enormous stone maps of the Normandy campaign and the preamble of bombing, and the subsequent campaigns to Germany. They show the visitors and survivors what was done and why the dead are there. The German cemeteries are sombre and crowded, with as many as five names to a plaque.

The museum at Arromanches has a more official air. It is well presented and there is a large working model of the Mulberry Harbour — Port Winston — of which large pieces still remain. The mood is fervently cordial and bilingual.

The best event at Arromanches is the news film made by the Admiralty Film Unit showing the construction and use of the harbour, which went up and down with the tides, and its partial destruction by an unseasonable storm a few weeks after D-Day. It was repaired and some of it is still standing. You leave with respect for a marvel of engineering and surprise that the whole project could be achieved in little over a year.

At Bayeux it is not worth spending time on a multi-media display projected on bits of cloth intended to resemble tents and with portentous music like that of the recent Trojan War and Atlas documentaries on television. If the crowds are not too bad, walk on to the tapestry, which is a treat for old and young, and needs time.

It is a lively strip cartoon, more than 70m long, perhaps made in England and a fine piece of propaganda for the winning side. The Latin captions are not difficult.

The politics are meant to be understood quickly, and especially the perfidy of Harold who had sworn (section 23 of the tapestry) his fealty to William on two reliquaries—one for each hand — at Bayeux, but then accepted the kingdom of England (28-30) after the death and burial of Edward the Confessor at Westminster Abbey (26-27).

This brought on the conquest. Haley's Comet was a bad omen for Harold (32)— a portent we shall see again soon, and which was shown recently in *Nature* to be documented back to 87 and 164BC in late Babylonian records.

So William prepared for his D-Day, cutting down trees to build ships (35), just as the Admiralty film shows the steel being made for the Mulberry Harbour. It is a delight of the tapestry that all is direct. There must be no doubt. Trees are for cutting, leaving us to complain now of the effects of deforestation.

The ships were loaded, with special attention for a cart "cum vino et armis"—a hero's cocktail of spears, helmets and a large barrel (37). Horses were also put on board, which meant they were ready at once for seizing food (40) after they landed at Pevensey (38), and for battle. This efficient use of horses was part of the Normans' military superiority.

At Hastings, after the food was found by the horsemen, it was cooked in a cauldron (42). Then Odo, Bishop of Bayeux, half-brother of William and patron of the tapestry, said grace (43). The food and drink were rightfully theirs, as was the country they were recovering.

The battle began, and "Angli et Franci" fell together, the use of "Franci" is a shift from the "Normanni" earlier in the tapestry, but William did have Breton and Flemish help for Hastings. Harold was shot in the eye; armour was snatched off the dead; heads were severed from trunks. But the greatest moment—worthy of the Iliad—is the triumph of muscular Christianity when Bishop Odo charges into the battle with an enormous club (54). If God was on our side on June 6 1944, he was not on October 14 1066. We may speculate if it is relevant that Eisenhower was born on October 14 also.

Time for another calvados.

Gerald Cadogan

Memories . . . the war cemetery at Bayeux

CHESS

DETENTE towards Western Europe seems in the air at the USSR Chess Federation, which has announced a strong group of Belyavsky (world No. 3), Maia Chiburdanidze (world woman champion) and Kuzmin as entrants for Lloyds Bank 1985 on August 21-29. To send both Maia, already winner of three GM tournaments against men, and the imaginative Belyavsky to London is a gesture of unusual goodwill. Their rivals in the open-to-all event will include Nunn and Nigel Short as well as some 50 British juniors competing with Lloyds Bank scholarships.

Then Karpov was outgoing and relaxed in a recent simul tour of West Germany, followed by the Amsterdam Ohra tournament where he won easily with 7/10 ahead of Timman 6½, Nunn 5½ and Miles 4½. Influential opinion severely criticised Soviet officials for their role in the acrimonious end to the world title match, and it could be they are currently trying to repair their dented image by sending their best GMs abroad more frequently.

Meanwhile there are important City moves to give England, silver medallists at the 1984 chess olympics, a chance to narrow the gap against Russia's gold. Kleinwort Benson have introduced new incentives to publicise their growing link with stockbrokers Grieveson Grant, traditional sponsors of the British championship now at its halfway mark in Edinburgh.

The champion will play his U.S. counterpart in a challenge match, while if the Edinburgh winner scores a maximum 11/11 he qualifies for a record £10,000 prize.

Legal and General are backing the national club championship which Streatham won by beating Cambridge University [...] 4-2 last month.

White: N. W. Ivell (Cambridge). Black: J. G. Cooper 1985).

Sicilian Defence (club final (Kings Head).

1 P-K4, P-QB4; 2 N-QB3, P-K3; 3 P-B4, N-QB3; 4 P-Q3, P-Q4; 5 P-K5, N-R3.

White's 4 P-Q3 is passive compared to the usual 4 B-N5; In reply Black can also play 5. . . P-KR4 with N-K2-B4 and a light-square blockade.

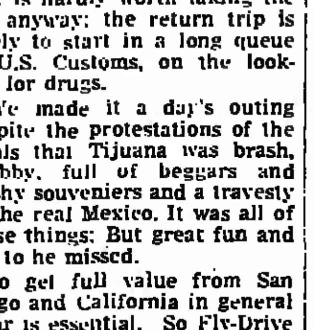
6 P-KN3, B-K2; 7 B-N2, O-O; 8 N-B3, P-QN4; 9 O-O (not 9 NxNP? Q-R4 ch; 10 N-B3, P-Q5). Q-N3; 10 P-KR3, N-B4; 11 N-K2, P-Q5; 12 P-KN4, N-K6; 13 BxN, PxB; 14 P-B3, R-Q1; 15 Q-B2, P-N5; 16 P-Q4?

A miscalculation under pressure; 16 K-R2 is necessary.

16. . . B-R3; 17 KR-Q1, QR-B1; 18 QR-B1, PxQP; 19 N(B3)xP, NxN; 20 RxN, RxR; 21 NxR, QxN; 22 Resigns. A neat finish. If 22 PxQ, RxQ; 23 RxR, P-K7; 24 R-B1(24 K-B2, B-R5 ch), B-R5 wins.

PROBLEM No. 579

White mates in three moves, against any defence (by M. Lawson). Not easy to solve; White's force has a wide choice but requires a precise and hidden manoeuvre.



Solution Page XII

Leonard Barden

· D I V E R S I O N S ·

Starting from scratch: diving

Jumping in at the shallow end

Heavy breathing: William Dawkins takes a lesson from Reg Vallintine

TEMPTING THOUGH the idea sounds, it would be risky to start diving by donning an aqualung and mask and plunging into the nearest bay.

Most novices in Britain start with a leisurely swim beneath the waters of their local swimming pool with an instructor close at hand. That is how I first sampled this increasingly popular sport one evening last week at a course held by the London Underwater Centre in Porchester Hall Baths, Bayswater.

The first step is a one-hour lecture on equipment and safety, essential for any sport that involves risks. Reg Vallintine, my instructor and director of the centre, reckons there are around five deaths every year among Britain's 50,000 diving enthusiasts, mostly when people take excessive risks. "It's dangerous to think of diving as a macho sport," he emphasises.

Nevertheless, Vallintine's descriptions of the dangers of burst lungs, ruptured eardrums and the "narcs"—a sometimes fatal state of delusion that can occur during deep dives—made me relieved that the swimming pool was only eight feet deep.

The most important things a novice must remember are the ears. Water pressure rises faster during the first few feet of your descent than at greater depths. That puts instant strain on your eardrums. If you pinch your nose and blow gently with your mouth shut on the way down, the pain should go; but if you forget, you risk bursting your eardrums.

The kit—a steel air-bottle, weight belt, mask and flippers—was heavy and the straps bit uncomfortably into my bare shoulders. That was why everybody else on the course was wearing a tee-shirt.

But the straps yielded when I got into the water. After kneeling on the bottom of the shallow end to check the breathing apparatus worked, we launched off for a tour of the pool.

Breathing was easier than I had expected, but I was too heavy and kept landing chest first on the tiled bottom like a winded whale—ridiculous compared with the elegant gliding motions of Vallintine and my co-pupil. But I soon found that by holding in a deep breath I could rise, limping on for a few yards before breathing out and crashing back to the bottom. Eventually I struck a clumsy compromise by supporting myself on my hands and flippering along with my feet.

Despite that minor problem—which could be solved by adjusting the weight belt, promised Vallintine—the experience evoked a sense of freedom in being able to stay comfortably under water for as long as you liked. The next exercise was less comfortable. Vallintine pulled out his mouthpiece and waved it nonchalantly around before replacing it, signalling for us to do the same. As I replaced mine I took in a mouthful of water, trying furiously not to cough.

That lesson made diving look easy. But the centre and most other British diving schools will not let their pupils venture out into any but the most sheltered open water until they have been through several more hours of pool tuition.

COSTS

THERE ARE two ways to learn how to dive. The choice depends on how much you want to spend and how quickly you need to become proficient.

If you plan to go on a diving holiday in some tropical paradise and want to take a crash course at short notice, the best bet would be to try one of the UK's 200 or so independent diving schools. But if you have less money than time on your hands, the best option would be to approach one of the more than 1,000 branches of the British Sub-Aqua Club, the sport's main regulatory body.

The London Underwater Centre, the only independent diving school in the capital and one of the 40 schools recognised by the BSAC, charges £150 for five two-hour lessons, including equipment hire. That will also entitle you to a BSAC novice diver certificate, which means you should be safe to dive in the open sea with an instructor.

Each lesson takes place in a heated swimming pool, the usual place for novice divers to start, and the timetable can be adjusted more easily to suit you than would be the case at a BSAC branch.

The next stage up, the BSAC sport diver certificate, enables you to dive in open water without an instructor but accompanied by another diver of similar standard. The centre can bring you to that level after 10 open water dives in a five-day course costing £250.

The first day's diving will usually be in a flooded quarry in Leicestershire, thereafter graduating to the sea from Poole Diving Centre in Dorset, or Fort Bovisand in Devon, the largest diving centre in Britain. A well organised person should be able to complete the sport diving training in a 10-day period without taking time off work—one weekday and two weekends—though you have to take the novice course first.

It is far cheaper to learn through a BSAC branch, but it will typically take you 14 weeks to become proficient enough to venture into the open sea. The BASC charges an annual £25 subscription, with individual branches usually charging about the same again for coaching and equipment hire. The BASC fee entitles you to the monthly magazine, Diver, a £10 manual and £500,000 worth of third party indemnity insurance — just in case your boat runs over another diver.

Not all branches, however, are rich enough to own equipment. Everything you could possibly need from an aqualung to a knife (for cutting yourself free of fishing nets) could cost around £400 second hand. The basics—mask fins and snorkel tube—cost roughly £20.

But before you go diving in open water, a medical certificate will be needed. Your GP will provide one for around £15, and that will last for five years if you are under 30, or three years for people aged between 31 and 50. If you are over 50, you will need an annual certificate. Diabetics are out, as are people with heart or lung problems, obesity or epilepsy. Diving, however, is said to be good for asthma ("It teaches you to breathe," says one buff) and for sinus troubles.

More details from the BSAC, 16 Upper Woburn Place, London WC1. Tel 01-387 9302. The Pocket Guide to Diving, by Reg Vallintine of the London Underwater Centre, is a useful basic manual and includes a list of diving holiday operators. Published by Bell and Hyman, it is available from most large bookstores for £4.95.

William Dawkins

Collecting

The china syndrome

Victorian favourites: a Barlow vase

CHRISTIES, South Kensington, is presenting a special loan exhibition next week of the work of Hannah Barlow, the first woman designer employed by Doultons' art pottery studios, and the best-loved of Victorian ceramic artists. It is the only London exhibition devoted to an individual Doulton artist for more than a hundred years and has been arranged in association with Richard Dennis. An associated booklet includes a new study by Peter Rose of Hannah Barlow's life.

Aside from the fame of her charming, sentimental pottery decorations, Hannah Barlow fascinates us today as a social pioneer, a woman who made a career and an international reputation in a new field of applied art. Women had long been employed by potteries in lowly positions as piece-workers, but Hannah came from a well-to-do middle-class background, with a sound artistic training.

Born in 1851, she was seventh of the nine children of a bank manager in Bishops Stortford. Benjamin Earlham Barlow also owned and ran a 250-acre estate, and encouraged his children's interest in natural history.

Tragedy first struck the family in 1859 when the 13-year-old Arthur suffered an injury that was to leave him crippled for the remainder of his short life. Seven years later, Benjamin Barlow died suddenly, and the family's idyllic life ended. Financially straitened, they moved to a smaller house, and those who were old enough had to make their own way in the world.

In 1867, Hannah enrolled in the Lambeth School of Art. Meanwhile, brother Arthur, during seven bedridden years, had determinedly set himself to learn wood-carving; some of his first boyish efforts won praise from Ruskin. By 1868 he was sufficiently mobile to follow Hannah to Lambeth.

The school principal, John Sparkes, had for years endeavoured to persuade his friend and neighbour Henry Doulton to introduce artistic production alongside the utilitarian wares that were the mainstay of his prospering pottery. Doulton was unenthusiastic at first, but in 1867 took on a poor but gifted Lambeth student, George Tinworth. Some Tinworth designs attracted favourable attention at the Paris International Exhibition and roused Doulton's ambitions. Now eager to display artistic pottery at the coming 1871 International Exhibition in South Kensington, Doulton commissioned Hannah and Arthur Barlow as freelance designers and decorators. So successful were their exhibits that both were recruited as full-time artists.

Arthur, who despite his frail health also enrolled as an evening student in the Royal Academy sculpture school, excelled in scrolling, vegetable forms. He was a subtle colourist and showed enormous skill in relating linear patterns to the three-dimensional shapes of the items he was decorating. He seems to have been remarkably prolific: even when he was too sick to go to the studio, he would make wax models or drawings to be carried out by assistants. He died in 1879 at 34.

Hannah, however, was to become and remain Doultons' star. She developed a distinctive style of incised—"*sgraffito*" — drawing on the clay. With very few exceptions her subjects were animals, domestic and familiar or wild and exotic, which she portrayed with a confident, brisk, economical line.

The hundred or so pots in the Christie exhibition exhibit her remarkably varied zoology: deer, pigs, goats, ponies, horses of all varieties, cats, otters, sheep, rabbits, cows, dogs, geese, ducks, squirrels, lions, bears, giraffes and — rarest of the rare—elephants. Victorians loved them and everyone had preferences: offered his pick on a visit to Doultons, Ruskin announced, "I will have, if you please, the jug with little piggies scurrying around under the handle."

The exhibition includes some of Hannah's paintings and drawings. Compared with her sgraffito work they tend to be fussy and pedantic: evidently she responded better to the challenge of damp clay, which required a technique of speed and confidence. She was never too good at feet, which she tended slightly to fudge: and her sketch books betray her constant efforts to do better.

The exhibition shows Hannah experimenting with other pottery techniques: she paints her animals in colour on faience ware, or moulds them sculpturally with the "pate-sur-pate" technique. The only known surviving examples of her deep-relief terra cotta panels—an amusing confrontation of dog and cat—is included in the exhibition.

An older and a younger sister joined Hannah at Doulton's. Florence, probably a more gifted and subtle artist, was to confine herself to birds, leaving four-footed creatures to her sister. Lucy worked briefly in the 1880s, mostly providing borders for her more talented sisters. A number of pots were decorated collaboratively by Arthur, Hannah and Florence, in various permutations.

Like the lamented Arthur, Hannah had to overcome physical handicap: she early lost most of the use of her right hand, and taught herself to draw with her left. The decline of her work in later days — she remained at Doultons until 1913 — has sometimes been attributed to rheumatism; but a few good late designs show that she could still rise to an occasion. Perhaps prolixity had taken its toll. For over 30 years she produced an average of 1,000 designs a year. The residue of this vast output leaves plenty of scope for collectors, who must however be prepared to pay from £200 to £2,000, according to importance, for a pot with the bold, familiar HBB monogram on the base.

**The exhibition at Christies, South Kensington runs from August 6-11; daily 10-4.30; Sunday 12-4.*

Janet Marsh

Country notes

Grateful farewell to flaming July

I GET little pleasure from the July countryside. As a farmer, my errors and omissions of husbandry become all too evident. The seeds—wild oats, grassweeds, poppies cleavers and others—can safely raise their ugly heads above the crops; they are secure in the knowledge that it is no longer possible for me to kill them, either chemically or mechanically, before they can re-infect the land.

It really is extraordinary how some of the weeds like charlock and poppies, the easiest to kill with the first hormone weed-killers, still are with us. Not in any quantity—just enough to make sure that we relax control at our peril. Charlock is of the rape family and has an oil-based seed that lasts a long time in the soil. I remember a farm where a field was ploughed in 1939 that had not been touched since the Napoleonic wars. It came up yellow with charlock all over.

We have learnt to kill off the charlock except for the odd plant that seems to germinate from nowhere but a peculiarity of the situation is that the virtual removal of charlock was replaced by other weeds. Cleavers (or clyder, as we call them), and a form of charlock called runch (or white mustard) are just as difficult to kill: and the pretty little pansy, heartsease, has become quite a pest. It is now as high as the semi-dwarf wheat I am growing.

All these weeds thrive in the hedgerows, and this year they are as luxuriant as any jungle. On some fields, we cultivate a sort of cordon sanitaire to keep them from invading the crops. They may be loved by the environmentalists, but not by me. I regret not using my mechanical hedge-trimmer more ruthlessly.

The lush hedges also host a wide variety of song birds that do little harm. But the woods and even the hedgerow trees, of which I have a profusion, are a sanctuary for nesting pigeons, crows, magpies, and flocks of young rooks which have left their nests and now are learning the facts of life on their own.

Bird food is scarce for these larger species at this time of year and the winter barley, which begins to form seed at the end of June, is an obvious target. Their method of attack is interesting. Instead of creeping in from the hedgerows, as you would expect, they go for an open side or where the crop has been knocked down by the weather. The reason for avoiding the hedgerows apparently is that foxes will lurk there and dash out to seize a bird. I have often found the remains in such places.

When attacking the crop, they seem to flop down with outstretched wings and break the straw. In a short time, they will eat their way into the field. To prevent this, I shoot a few rooks and hang them up on the fence, and also instal an automatic bird-scarer to bang away. This will chase off the pigeons to someone else's field until an even louder bang drives them back. It will scare the older rooks but the young ones take very little notice. They don't yet know the facts of life.

This bird-scaring is apt to upset the non-farming inhabitants of our villages. They complain about bangs from dawn to dusk of a long July day, not realising that birds do not keep office hours or take weekends off.

I am always happy to live by the sun at this time of year and so, if they wish to be countrymen, should they. After all, what better way is there of enjoying the country than to take a quiet walk in the very early morning? Most wild creatures are not so wary of man at that time of day, especially if you walk against what wind there is. There are too many rabbits just now, of course; I hope myxomatosis is going to reappear, as it has done every time the population rises.

But pheasants and partridges with their chicks will venture into the open to pick up grit on a dusty track and early morning is one of the few times that roe and fallow deer, essentially shy creatures, are to be seen. Sometimes, an unsuspicious fox will trot down a track towards you. It is a great chance to see how the animal kingdom lives.

It also gives one a degree of superiority over the stayabeds, which they claim to find intolerable. But they are wrong. One of the most successful farmers of my generation claimed that an hour before 6 am was worth three later in the day for clearing the mind and making the right decisions. And where better to spend that hour than walking round the farm.

John Cherrington

In the pink

Doctors put the boot in

Hallux valgus stops play

DEAR TRAINING DIARY,

These are my farewell words. My spirit is willing but my musculo-skeletal arrangements have proved deficient. The culprit is the big toe joint of my left foot. It won't hold up if I step up to 40 miles a week again.

I told the consultant orthopod that I would cut back to light running of 25-30 miles a week and he fell about laughing. "That's what they all say when they come in with their bad knees and hips and feet," he said. He thinks 10 miles a week is a lot and once you pass 20 then for very many people the benefits of the exercise have to be weighed against increasing risk of injury.

You may well not notice it at first. It's the cumulative effect of overuse that builds up the damage in various joints, tendons or muscles. Me, I was born with a malformation of the foot called a hallux valgus, which means that the angle between the bones leading to the first two toes is too big. It should be less than 10 degrees but mine is nearly 17.

It isn't serious and isn't rare. It just causes bunions—tender, swollen joints—among middle and old aged people who put on weight and wear high-heeled shoes. Lest you fear I have been converted to transvestitism I hasten to add another way of developing the trouble — marathon running.

You'll know about that De[...] Diary. Yours is the [...] of the training fo[...] years I have my [...] numerous half-marathons, ten-milers, and 15k's. I started using you to log my training.

What no-one told me was how you would encourage my obsession. "Look, it's Wednesday and not an entry in the log! I need to get in 47 miles by Sunday night and there's only five days left! I'd better get a 15-miler in tonight. Don't wait supper, dear: I'll be gone a couple of hours. Just leave me a glass of water by the front gate so I can grab a drink before the final circuit."

It never used to be like this when I ran for fun. I started 13 years ago on my 30th birthday. I never ran systematically in those days, just two or three miles, three or four times a week.

I never thought of you, Dear Diary, until I decided to see if I could run a marathon in 1981. Suddenly, I had a "training programme." Suddenly, I was running whatever the weather. Gradually I moved up to 20 miles a week, then 30, then, some weeks, nearly twice as much as that.

There was actually nothing quite like it. After an hour's running the brain starts producing pain-killing chemicals called endorphins. They have a similar pharmacological effect to heroin, including the promotion of a mild euphoria called "runner's high." I was hooked.

Of course, I always knew about the hallux valgus but [...] thought it mattered [...] recommenda[...] quite balanced as I ran because the leverage off my left foot, known technically as the "toe-off," was less than on the right.

This put extra stress on my right leg, which started to be plagued by minor strains and niggles.

In running, the downward force on your feet is between two or three times bodyweight. The bones articulate as the ankle "rolls" inwards and the foot forwards to dissipate this. A normal foot uses the last of this force in the toe-off, finally transmitting shock out of the foot. Because of my dog-legged toe joint, a lot of shock is absorbed in the ball of the foot instead because it has nowhere else to go.

Gradually, the joint started getting bigger, a burgeoning knuckle on the side and top of my foot.

That 17-degree angle also meant that the tendon attached to the big toe joint was not pulling straight. A little piece of bone at the end of it called a sesamoid started breaking up.

Blisters became a permanent problem and I had to plaster the joint before every run to prevent them. I developed an allergy to the adhesive.

I started falling up stairs, injuring knees and elbows, because my mind thought my left foot was giving as much leverage as my right. Where would all this lead?

To a hobbling old age, said [...] specialist. There is an [...] but it means 10 days [...] six weeks in plaster [...] months of rehabilitation. It is usually for people in such pain that life would be intolerable without it. Alternatively, the new bone could be shaved off but that would not solve the structural problem.

Then there is the moral dimension: in medical terms the problem is trivial. Is it right to consume hard-pressed resources, even as a private patient, to solve it? It would, I decided, be morally wrong if I continued running, knowing what I do now.

Fitness transforms the quality of people's lives and improves general health. Take up cycling or swimming, says my orthopaedic friend, where the weight is supported while the muscles are doing the work. I have a bike now. I haven't discovered a cyclist's "high," but I'm hoping.

Yours never again.

Ian Hamilton-Fazey

Gardening

The answer: alkalis in the soil

GARDENS on chalk or limestone often are discussed as if they were at a big disadvantage compared with those on acid soil. his, of course, is nonsense when you consider the large areas of the world that are limestone or chalk and their marvellous range of wild plants. The plants of acid and alkaline soils certainly are different but cannot be said to be superior.

Perhaps the myth arose because many of the great garden-makers in Britain during the late 19th and early 20th centuries happened to be living on acid soils and so made considerable use of rhododendrons, azaleas, camellias, pieris and other plants that like these conditions. Yet, just consider how much better most clematis are when there is chalk or lime in the soil. The same is true of many other plants including the meadow cranesbill, Geranium pratense, which has fine garden varieties or hybrids, and the scabious (this is as true of the fine Caucasian species as it is of the common British kind).

All kinds of prunus—including the cherries, plums, almonds, peaches and bird cherries as well as the cherry and Portugal laurels—are the better for having chalk or limestone beneath them, and the whole crab apple (malus) family also is suitable for such places. Thorns of all kinds, like alkalinity and there are few more spectacular hardy flowering trees than Paul's Scarlet thorn, a variety of the hawthorn with double flowers.

Firethorns (pyracantha) seem to grow half as fast again and to flower and fruit twice as profusely if grown on alkaline rather than acid soil. Though cotoneasters and berberis do not benefit so much, chalk and limestone certainly do not harm them. Cistus and helianthemum are smaller shrubs that have a preference for chalk or limestone and mock oranges (philadelphus) will keep an alkaline garden full of perfumed blossom for weeks around midsummer. These five families alone could provide an alkaline garden with all the flowering and berry-bearing shrubs it required.

For hedges and topiary, you can have as much yew, box and holly as you like; or you could plant any of the junipers, all of which are completely at home on chalk or limestone. The Irish juniper will make a dense narrow column without any pruning and, together with the Irish yew and the columnar golden-leaved variety Standishii, is ideal for making dramatic accents or focal points in gardens.

With roses, the only problem is that an excess of lime can deprive them of iron and manganese, so causing yellowing of the foliage; but this can be taken care of by extra feeding.

With herbaceous plants, those that dislike lime really are the odd ones out. Lupins are perhaps the biggest loss—but why worry when you can plant as many irises and delphiniums as you like, poppies of all kinds, anchusas, peonies, phloxes, heleniums, erigerons, michaelmas daises, kniphofias, pinks..., sweet williams, catmints, gold rods, Shasta daises and a great many more of the most spectacular perennials.

Most fruit trees and bushes grow well on chalk or limestone if there is enough fertile soil on top. Some of the best strawberries are grown in limestone areas and vines definitely prefer this kind of bedrock. So do a great many vegetables such as the entire cabbage family (including turnips and swedes) as well as peas and beans.

In fact, so great is the liking of most vegetables for lime that it was traditional practice to lime kitchen gardens every second or third year. But this can be a mistake, resulting in such a build-up of alkalinity that strange effects, due to mineral deficiencies, appear. One can have too much even of a good thing. The sensible approach is always to garden with your soil, not against it.

Arthur Hellyer

BRIDGE

I PLAYED a session of *partie fixe* last week, and this hand made my afternoon:

	N	
	♠ J 7 3	
	♥ Q 9 8	
	♦ A K 5	
	♣ J 6 5 2	
W		E
♠ A K 9 8 6 4		♠ Q 10 2
♥ 7 2		♥ 5 4
♦ 9 6 4		♦ Q J 8 3
♣ 7 3		♣ Q 10 9 4
	S	
	♠ 5	
	♥ A K J 10 6 3	
	♦ 10 7 2	
	♣ A K 8	

My partner and I were game and 60 when West dealt, and after three passes I opened with two hearts—I was a little light for the bid—and West came in with two spades. North raised to three hearts, East competed with three spades, and I pressed on with four hearts. West decided to go four spades—this could have cost 500 points—but North rightly said five hearts, and this closed the auction.

West led the spade King, on which East played the two, and continued with the four. I ruffed East's ten, led a heart to the Queen, and cashed three more trumps, discarding the diamond five from the table. West threw two spades, and East parted with the diamond [...] and [...] spade Queen.

At [...] eight [...] three c[...] the Queen; that the suit breaks 3-3; and it loses a trick to rectify the count in case East can be squeezed in the minors. East won with the nine, and returned the diamond eight to dummy's King.

He seemed to have started with a 3-2-4-4 hand pattern. In that case a squeeze was on, not the automatic, but the rare crisscross. I played my last trump, forcing a fatal discard from East. He chose to throw the four of clubs, so I cashed my Ace and King, and crossed to the diamond Ace to make the club Knave for my 11th trick. If East lets go a diamond, I cash the Ace, and return to my hand with a club to make the diamond ten and the other [...] will be [...] possible.

[...] Cotter

• DIVERSIONS •

Simple marvels in silk

IF, LIKE most of us, you've heard the name of Mariano Fortuny tossed around but never been quite sure what the fuss was all about, you should make a point of visiting Liberty's basement in Regent Street, London, sometime between August 5 and September 28 to see a large collection of his work.

I can think of no better way of passing a rainy summer afternoon than gazing at those handspun silks, subtly-coloured brocades, and sumptuous velvets.

You can marvel at the versatility of a man who could produce those gossamer dresses and design a theatrical lighting system; who could paint and invent his own photographic paper; who made his own dyes and fabrics; and who, when he saw a need, didn't look outside for it but got to work and made it himself.

If you're being high-flown you could call him the ultimate Renaissance man (his friends described him as an alchemist), but today he'd probably be known as a Jack-of-all-trades. There was nothing he couldn't do—and do better than the appointed specialists.

He had a wonderful start in life by having a Spanish father who was a painter and collector of objets d'art from all over the world, but particularly from the Far East. When he died he left the most extraordinarily rich and varied visual inheritance, from which Fortuny drew inspiration all his life. It also gave the family financial freedom, so that when Paris turned out not to suit them (Fortuny, it appeared, was allergic to horses) they could make their home in horse-free Venice.

He didn't believe in modernism but used whatever visual and decorative influences happened to capture his interest at the time. But it wasn't until he fell rather inadvertently into making clothes that the smart set really adopted him. It was in 1907 that he produced the Delphos, a pleated silk gown of stunningly simple design that hung loosely from the shoulders and was meant to complement and reveal the female shape as the most natural and beautiful of forms.

Originally, they were meant to be very private dresses worn in the boudoir or salon for a husband or lover. It was the Americans, with their New World bravado, who took to wearing them in public and turned them into an international status symbol. A visit to Fortuny's workshop became a stopping-place on the Grand Tour. The well-heeled and well-connected bought them on honeymoon or took advantage of a trip to Venice to come away with the prized possession, a Fortuny dress.

Lady Bonham Carter, who acquired a cyclamen-pink Delphos for £12 in the 1930s (which she still owns and wore for many years), says: "Everybody bought them. Everybody loved seeing them and they were very much admired."

Today, nobody wearing a couture dress would like to run into another one just like it; then, it was seen as part of the cult. Everyone wore them—Isadora Duncan, Emerald Cunard, Sarah Bernhardt, Greta Garbo, Peggy Guggenheim, Lady Diana Cooper, Queen Marie of Rumania. There was hardly a society figure of the day who didn't own one, despite Lady Bonham Carter's view that while they might have been flattering to slim figures, they didn't do a great deal for "lumpy ones."

Today, nobody can quite recapture the magic. Patricia Lester makes beautiful pleated silk dresses, strongly reminiscent of the Fortuny style, that are becoming a minor cult among the year-round-tan set (Princess Margaret and Mrs David Lean, among others, have been photographed wearing one). They sell for about £1,200 in upmarket London boutiques like Lucienne Phillips of Knightsbridge, Vernon Rumbold of 45 Egerton Crescent, and Harrods.

But those in the know say the Fortuny technique is inimitable. Nobody knows exactly how the silk was pleated to achieve the irregular folds that fell in that magical way.

Those who wonder what the magic is all about can see for themselves at Liberty's where Fortuny dresses, screens, photographs, paintings and other objects from private collections far and wide provide a once-and-for-all opportunity to see the full range of Fortuny's legacy.

Trevor Humphries

Delphos — the dress that took Europe by storm — shown here with a brown and gold velvet jacket

Graphic disasters

MEMORABILIA with a difference: posters celebrating some of the most spectacular flops of all time are being sold at The Gallery at Dress Circle, 57/59 Monmouth Street, Covent Garden, London WC2 DG. The shows they celebrate may have all sunk leaving scarcely a trace, but the posters themselves were all commissioned and produced long before, executed with all the skills and optimism the artists could muster.

Many of them are gloriously decorative, and all have scarcity and curiosity value, largely because the shows themselves were such disasters —once the critics had buried the show no more copies of the posters would have been ordered.

Besides sheer graphic power, some are enlivened with the acid wit that only a truly awful performance can unleash from critics' pens. Clive Barnes' reviews, needless to say, play starring rôles — be described "Rex," a Richard Rogers musical about Henry VIII, as "more of an abdication ceremony than a musical celebration," and remarked of poor "Marilyn: An American Fable" which closed after just 17 performances: "There was once a controversy as to whether Marilyn Monroe was murdered — she certainly was at the Minskoff Theatre last night."

All the posters have been gathered together in association with the Triton Gallery, New York. Prices range from £30 (framed) to £225 for a poster celebrating "Jenny" of which Newsweek wrote: "The only way to walk out of Jenny in a satisfied frame of mind is to flee 10 minutes after the overture." The exhibition is on until September 28.

Have-a-go sports

IF YOU have an ambitious, athletic child at a loose end this summer, try sending him (or her) to the Crystal Palace any weekday between August 5 to 16, where Adidas, the international sportswear company, is sponsoring a special Summer "Come and Try It" fortnight.

Some ten different sports are on offer; would-be Bothams can have a go with cricket bat and ball, future Beckers can try out on the tennis court, and there are athletics, archery, gymnastics, trampoline, badminton, squash, skiing and fitness training as well, all at just 50p a session.

The enterprise is aimed at 8 to 16-year-olds, with two sessions a day covering the different age groups—10 am to 12 noon is for 8 to 12-year-olds, the 2 pm to 4 pm slot is for 12- to 16-year-olds. The Olympic pool will be open for all comers between 12 noon and 1.30 pm.

For further details ring Crystal Palace on 01-778 0131 (extensions 230, 231 and 232). No child should worry about lack of experience in the sports —the whole point of the exercise is to introduce children to new, rewarding athletic activities.

Candle-lit in colour

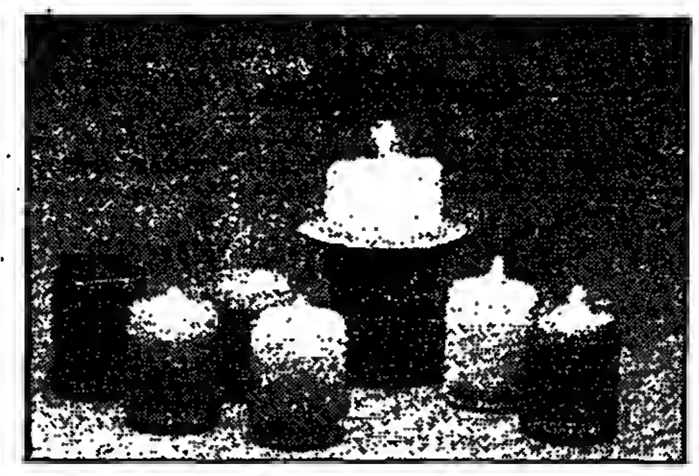
WE HAVE not had many balmy summer nights so far this year but, on the principle that the weather can only get better, it could be worth stocking up on some inexpensive outdoor lights. Dorset Craftsmen, a small Dorset-based company, is already well known for its Dorset Lantern. It burns for about 20 hours on 200 grams of its Dorset wax pebbles (included in the price, £9.95) and comes with a carrying handle and a free stand with three poles, so you can push it into the ground if you wish.

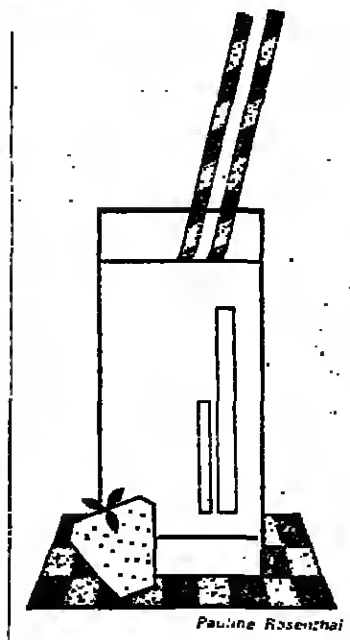
Even cheaper, and ideal for supper parties out of doors, are the Dorset Night Jars, small glass jars in red, blue, green, yellow, orange or white. They cost 99p each, including enough of the Dorset wax pebbles to burn for up to seven hours. Each jar is reusable — once the wax has been used you can buy packs of the wax pebbles and wicks separately.

Night Jars can be scented: The Cottage Garden scent costs £1.60 for a small bottle; Citronella (the insect repellant) sells at 99p a bottle.

Though aimed at those who wish to eat outside in summer, these Night Jars also make stable, sturdy candles for emergencies about the house—particularly as each jar is sold with a packet of matches firmly attached to its screw-cap top.

Many garden centres and household stores sell the range, but anybody who has trouble finding a local stockist can buy by post from: Dorset Craftsmen, Romany Works, Holton Heath, Wareham, Dorset BH16 6JL. Prices for the jars include postage and packing, but the Dorset Lantern costs an extra £1 carriage.





Pauline Rosenthal

Cookery

Shake it up for youngsters

SALES of yoghurt are booming, as are the sales of "exotic" yoghurt. It could be this summer's fashion. Yoplait, the French dairy company, certainly hope so as their new product YOP (available in six flavours—strawberry, kiwi and redcurrant, lemon, exotic fruit, orange and papaya, and coconut) went into national launch last month.

Yoplait is aiming primarily at the teenage market and is promoting its product as an "anytime snack" rather than as a health product or thirst quencher. Rightly so, for these drinking yoghurts are as thick as rich milkshakes and, despite being made from fresh fruit juice or fruit pulp, they have what I can only describe as boiled sweet tastes.

The idea of yoghurt as a drink is not new. In India and the Middle East, where yoghurt has been a staple food for centuries, a dollop of yoghurt is often served in a glass with crushed ice, plenty of plain or sparkling water and a little added flavouring. Yoghurt drinks of this sort—often called lassi or ton—are truly refreshing, just the thing to slake adult thirst in hot weather, and they are easy to make at home.

For best results use home-made or creamy Greek yoghurt. Chill all the ingredients in advance, and refrigerate the drinks for half an hour or so between making and drinking (they will keep for at least 24 hours). Serve in tall glasses which have been refrigerated with a few ice cubes in each to give them a cool frosting.

MINT LASSI: Whizz together in a food processor or blender a dozen or so mint leaves, a pinch of salt, 4 fl oz yoghurt and 8 fl oz iced water. Chill and infuse. Strain to extract leaves and thin to taste with extra iced water.

ROSE WATER LASSI: Cream 1½ teaspoons each caster sugar and triple distilled rose water with 4 fl oz yoghurt. Then stir in 8 fl oz or more chilled sparkling water, such as the recently launched Ramlösa from Sweden.

TOMATO LASSI: Stir ¼ pt chilled tomato juice into 2½ fl oz yoghurt. Season with salt and a sprig or two of basil, and thin with 2½ fl oz or more iced soda water.

POMEGRANATE DRINKING YOGHURT: Extravagant, but exquisite. Scoop the pulp-covered seeds from three pomegranates. Put them into a piece of buttermuslin. Twist and squeeze to extract the juice—about 9 fl oz. Gradually stir the juice into 3 fl oz yoghurt and sweeten lightly with sugar if wished.

PASSIONFRUIT DRINKING YOGHURT: Intensely fragrant and refreshing. Dissolve 4 oz sugar in 4 fl oz boiling water. Pour the syrup over the pulp covered seeds of four passion fruit. When completely cold, whizz in a blender then strain to extract maximum flavour. Stir the liquid into 2-3 fl oz yoghurt and dilute with iced water to taste.

PEACH DRINKING YOGHURT: This makes a very fruity, thick drink—thin it to taste with extra water and/or orange juice. Whizz to a purée the flesh of three very ripe peaches, a scant tablespoon caster sugar and the juice of 3 oranges. Gradually blend in ¼ pt yoghurt then ¼ pt iced water.

STRAWBERRY DRINKING YOGHURT: Whizz to a purée ½ lb strawberries, a squeeze of lemon, the zest of an orange and a small spoonful of sugar. Sieve the mixture, blend in 2-3 fl oz yoghurt and thin with plenty of iced water.

Philippa Davenport

Linen adds to luxury

Lucia van der Post

HOW TO SPEND IT

TO WOMEN over 25, the name of Janet Reger is special—for she it was who decided to glamourise knickers and nighties (and to hell with the cost). She used pure silk cut in slinky, sensuous folds, and embellished it all with fine lace. Not only was it lovely to look at but it produced shock waves throughout the lingerie world. Today even the most inexpensive chain store has a good deal more glamour than in pre-Reger days.

Despite financial problems that led to a few years out of the limelight, she has now brought us new delights—including some of the softest, finest linen underwear I've come across.

She had long wanted to work in linen but, because it had been out of fashion for clothing since the turn of the century, it took her some time to track down the right quality. She finally found it in Italy. She designs to suit the cloth which she feels requires looser, less structured designs than silk; but people who buy it like its coolness and comfort and it washes well, besides being anti-static.

Sketched here are some of Janet Reger's new designs. Above: a camisole, in white 100 per cent linen, trimmed with lace and small roses, sizes 32/38 in., £65. The very young or very brave could wear this as a top with cotton trousers or shirt in hot weather. Worn with it are French knickers, again in white only and trimmed with lace and small roses, £57.50. Below: a small half-slip (particularly useful because it is anti-static), white with the same trimming as the others, £69. Below right: small briefs, £24.50. In small, medium and large sizes. Also in the range are cami-knickers, a nightdress and dressing-gown.

Everything can be bought at Janet Reger, 2 Beauchamp Place, London SW3, or by mail order (all the prices quoted include postage and packing).

Anne Morrow

Wine

Dry and medium dry statistics

IMPORTS OF table wines to Britain have more than doubled in the past 10 years and are increasing at about 15 to 20 per cent a year.

While consumers' expenditure on alcohol declined between 1979 and 1982 by 8.7 per cent, according to the Economist Intelligence Report, *Drink in the UK*, it increased on table and sparkling wines by about 43 per cent in the same period.

Consumption rose from 261m litres in 1979 to 373m in 1983. Of the latter, imported sparkling wines paid duty on 21.8m litres. (Duty-clearance statistics are generally taken to represent consumption.)

The "take-off" in wine drinking in Britain began earlier in the '70s. Between 1974 and 1984 imports of table wines more than doubled from 167m to 352m litres. Britain's 9 litres drunk per adult annually still looks miserably small, compared not just with the big wine-growing countries, but also with Australia and New Zealand, whose per capita consumption is 19 and 13 litres a year respectively. Nevertheless, these countries now produce widely enjoyed wines of their own. Although 60 per cent of Britain's adult population drink bottled table wine, just over half of them consume less than a bottle a month.

Conventional wisdom in the wine trade holds that newcomers to wine drinking start with white wines and subsequently move on to the reds, and there is generally a move from [illegible] However, [illegible] last three years white wine consumption has grown almost five times that of red and rosé wines, and accounts for no less than 71 per cent of duty clearances. Also, the great success of wines from Germany shows the British palate very much in the middle of the sweetness range, unlike in Italy, France and Spain where red wine consumption predominates and the whites are mostly dry.

Is this the permanent pattern of British wine drinking? Or has it been unduly affected by the flood of those cheap Euroblends, nearly all Italian (but soon, maybe, Spanish too) in the misleading German-looking bottles and labels, and thus recorded by H. M. Customs as German?

The Economist report states that it is assumed that no less than a quarter of German imports are these Euroblends, while 55 per cent of genuine German wines are Liebfraumilch, the most popular individual style of wine in the British market.

France remains by far the largest supplier of the British wine market: 134m litres in 1983, compared with Germany's 95m litres and Italy's 51m. Since 1979 Italian wines have been losing their share of the UK market, with half their imports coming exclusively from the Veneto (principally Valpolicella and Soave).

In the same period the Spaniards have been doing even worse, and have largely been saved by the great success of Rioja which accounts for about one-third of Spanish table wine imports here. Of French wines no less than 30 per cent comes from Bordeaux. Beaujolais is next with 13 per cent.

While French beverage wines maintain their clear lead, Appellation Contrôlée wines have been losing their market share to the fairly new *vins de pays* (French country wines) whose exports to Britain rose between 1981 and 1983 from below 9m litres to 14m—France's greatest wine success in recent years. But in the quality market as a whole French market decline has been slow.

Where French wines score is in the "on-trade"—restaurants, hotels and wine bars. Although hard statistics are unobtainable, it is estimated that 70 per cent of French wine sales are in the "on-trade," whereas German wines sell only 30 per cent there, and Italian just under 12 per cent, nearly all of these in Italian restaurants.

Sparkling wine demand has risen by 35 per cent between 1973 and 1983. Champagne has increased its volume—over 10m bottles last year—and in Champagne the UK is regarded as the most sophisticated market in the world. Yet its market share has declined, mostly on price. From holding 34 per cent of all sparkling wine in 1977 it fell to 25 per cent in 1983.

Not surprisingly, it is in the "on-trade" that champagne is mostly sold: between 55 and 60 per cent, though home consumption has been increasing. Half the champagne drinkers in the UK live in London, the South-east and East Anglia. Non-champagne sparklers are better established in Scotland and the North than still wines.

Who drinks what types of wine? According to the report more women drink wine than men; 53 to 47 per cent (rounded-out totals). Among "heavy" and "medium" drinkers, men still outnumber women, although "heavy" here means no more than three or more bottles consumed in the month before this report, and "medium" only one or two. Women are clearly dominant in the sparkling wine category, with 60 per cent of non-champagne varieties, and 54 per cent of champagnes. Men are the greater drinkers of red wines (French, Italian or Spanish) and women of rosés and white (Italian, Spanish and Yugoslav). Men drink slightly more German whites.

The dominance of the AB and C1 socio-economic groups has been reduced in the last five years, and the DE group now accounts for 21.5 per cent of all wine consumers. But there is still a strong bias towards London, the South-East and East Anglia that account for nearly 47 per cent of red wine drunk in Britain, followed a long way behind by the East and West Midlands.

Many years ago a distinguished wine importer told me it was difficult then to sell claret "north of Birmingham." When I recounted this view to another importer, he retorted a shade bitterly: "have you ever tried to sell claret in Birmingham?" I had not, but hope this has changed for the better.

The forecast of The Economist report, which also deals with beer, cider, spirits and fortified wines, is that the swing to the take-home trade will continue, but more slowly and almost entirely to the benefit of the major grocery multiples. The growth in licencing will hit the independent licensed grocers, and the shake-out in the specialist off-licences will continue.

Drink in the UK, 1985 edition by Wendy Gower. Economist Intelligence Unit, 40 Duke Street, London W1. 172 pages, £120.

Edmund Penning-Rowsell

Scandal over-sweetened by suspicion

WINE scandals tend to induce hysteria among consumers, and the latest affair in Austria appears likely to cast quite unjustified suspicion on the whole range of sound and sometimes distinguished Austrian wines, whose overall quality has been improving in the last 10 years.

The relatively small wine-producing area of Burgenland, the source of this "anti-freeze" scandal, adjoins the Neusiedlersee, the huge shallow lake with a humid climate that in hot years creates the "noble rot" that produces the luscious sweet wines of Germany and Sauternes.

Burgenland always has problems in selling the considerable wine [illegible] demand within Austria. They are largely bought in bulk at minimum prices by German traders who ship them by the container-load to Germany, where they are bottled, as have been the wines recently discovered to have had a further sweetening additive.

It may well turn out, therefore, that this has been done by the hard-pressed Burgenland growers/merchants at the bidding of their German customers.

Meanwhile, no blame—or loss of sale—should attach to the great bulk of Austrian wines that are basically dry to very dry, especially those made from the native Grüne Veltliner [illegible]e, most of them in Lower [illegible]ia and what has traditionally been known as the Weinviertal (wine quarter) between Vienna and the Czech border. Nor is Austria's internationally best-known wine, Gumpoldskirchner, produced south of Vienna, under any cloud; while the delicious Rieslings of the Wachau may certainly be compared with the finer Kabinetts of the Mosel. Nor will moderate drinking visitors to Grinzing or the other wine-garden suburbs of Vienna be unduly assailed by the very green Heuriger wines of the Wienerwald.

So the wine merchants here should not withdraw in panic their Austrian wines, though wine drinkers might find this a bargain-time opportunity to sample them.

Survivors of the gold and diamond rush

THE RANDLORDS: THE MEN WHO MADE SOUTH AFRICA by Geoffrey Wheatcroft. Weidenfeld & Nicolson £12.95. 314 pages.

THE OPENING-UP of South Africa is a fascinating subject for the historian. It has all the ingredients of drama, adventure, idealism, chicanery, fraud and greed. That one of the great empty spaces of the world should suddenly become exploitable by the Europeans is not at all strange. Such episodes had occurred in the past—Siberia, North America, Australasia. But there was a difference. South Africa was not as empty as the others. It had been so, when the Dutch first occupied the Cape in the seventeenth century, for the great Bantu immigration had not yet reached the extreme south. But it soon did. In the other empty spaces the exiguous native populations were easily extinguished through disease and slaughter, but the Bantu emerging from the hinterland of the Gulf of Guinea were tough and numerous. They could not in the end resist European conquest, but they did not dwindle away. Drawn into the new economy they became its essential prop. The author quotes a notable historian of South Africa, C. W. de Kiewiet:

What an abundance of rain and grass was to New Zealand mutton, what plenty of cheap grazing was to Australian wool, what the fertile prairie acres were to Canadian wheat, cheap native labour was to South African mining.

They were as Mr Wheatcroft puts it: "South Africa's great raw material." They still are. Hence the insoluble problems of the Republic. Most raw materials cannot rebel, but this one can, and in the end will.

Until the late 1860s South Africa was of little interest to anyone, apart from those who used the Cape as a staging-post to the Orient and the Boers who had trekked inland to lead their devout hard pastoral lives as far away from British interference as possible. In 1869 the discovery in Griqualand of an 83¼ carat diamond, "the Star of Africa," transformed the situation. South Africa was never to be the same again. The diamond rush to what became Kimberley (named after the obscure Norfolk village from which the Colonial Secretary took his title) dominated the 1870s and early 1880s. It was followed in 1885 by a gold rush on the Witwatersrand which far surpassed the earlier ones of California and Australia, and produced a second revolution in the South African economy. Unlike the diamond fields the gold reefs were in Boer territory. The discovery was a direct cause of the Jameson Raid, the Boer War and the long term Afrikaner backlash that has turned the South African Republic into the pariah among nations which it so tragically has become today.

Mr Wheatcroft points out two features of these mineral discoveries which are often overlooked. The first is that the economic problems of marketing diamonds compared with gold were quite different. In the case of diamonds the important point was to restrict sales in order to keep up prices. There was an almost limitless quantity but if they were all put on the market values would collapse. Hence the frenzied activities of Cecil Rhodes, "the great amalgamator" as he was called, and his partner Alfred Beit to corner the market and create the monopoly which was eventually achieved, and finally consummated by the Oppenheimers, second generation of the Randlords.

In the case of gold, however, the price was fixed by the Gold Standard at £4 4s 11½d per fine ounce. The key to success was to keep costs as low as possible. The Rand is not notable for the quality of its ore, and it has few large nuggets. The biggest ever found there weighed only 12 lb compared with the famous "Welcome Stranger" found at Ballarat in Australia, weighing 160 lb. But the quantity of poorish ore in the Rand is vast, far larger than anywhere else in the world, and the new techniques which made it "payable," as the jargon went, resulted in low costs and colossal profits.

Mr Wheatcroft has written a fascinating book. It is very readable, singularly unbiased and packed with interesting information. The Randlords were certainly a remarkable collection, and it is worth remembering, as Mr Wheatcroft points out, that fortunes were not there for the picking, like raspberries or apples. Those who made "good" (if that is the right word) were a tiny minority of the mass of adventurers, rogues, ne'er-do-wells and exiles who descended on the mines to get rich quick. Very few succeeded, and those who did were clever men, even if they sailed very close to the wind.

The most famous of all must be Cecil Rhodes if only because of his extraordinary Will. I suppose as Chairman of the Rhodes Trust I must declare an interest. But, surely, few people would contest that, whatever he exactly intended, the effect of what he did has been far-reaching and beneficial. To say this is not to say that he was a likeable man or that he did not use very rough methods. Probably the nicest and most successful of them was Alfred Beit who also left a large part of a huge fortune for philanthropic purposes in what are now Zimbabwe, Zambia and Malawi—a trust that continues to this day. The nastiest by far was J. B. Robinson of whom it could truly be said that he hated everyone and everyone hated him. Mr Wheatcroft quotes the famous Cape Times obituary headed Nil Nisi Bonum. It commented on his notorious "immunity against any impulse of generosity public or private" and hoped that no future magnate would "come within possible risk of rivalling the loathsomeness of the thing which is the memory of Sir Joseph Robinson." Lloyd George tried to make him a peer but the ensuing row forced a withdrawal, and baronetcies remained the top honorific level of the Randlords. The most picturesque of them was Barney Barnato who actually played Othello in Kimberley where the line "Haply for I am black" brought the house down. This is a very enjoyable book as well as a work of serious research—much to be commended for summer holiday reading.

Robert Blake

Cecil Rhodes: rough methods

J. B. Robinson: denied peerage

This pen and wash drawing of a New Zealand war canoe (1770) by Sydney Parkinson is one of many interesting plates in "The Art of Captain Cook's Voyages" by Rudiger Joppien and Bernard Smith. There are two volumes: one "The Voyage of the Endeavour" and two, "The Voyage of the Resolution & Adventure" (Yale University Press for the Paul Mellon Centre, £40 each)

When boys will be boys and how they become writers

PATHS FROM A WHITE HORSE: A WRITER'S MEMOIR by Peter Vansittart. Quartet Books. £11.95. 282 pages

SECRETS: BOYHOOD IN A JEWISH HOTEL 1932-1954 by Ronald Hayman. Peter Owen. £12.00. 224 pages

A NOVELIST'S perception of his life can be wonderfully untrammelled by fact. When the novelist is Peter Vansittart this creates a whole world of ambiguity. The nearest he gets to a definition of his kind of novel is during a description of his mother's garden:

The garden, designed by my mother, leads you forward through three successive arches. It reflects what I enjoy in books: the half-heard, half-seen, the allusive and ambiguous, a sense of sly disclosures which makes spaces seem larger than they really are.

Paths from a White Horse does to some extent trace the story of his life. He was born in 1920 and went to a small private school followed by Marlborough. We learn of his schooling and, later, his schoolmastering, although the two tend to merge in a flow of eccentric characters—Mr Blake Blake with his everlasting "It simply can't be done" being one of the best. (Were they really so odd or does Mr Vansittart's imagination make them so?)

As a child he soon recognised the power of words: "Words had begun to matter, falling like rain, then solidifying, building steps into the world or out of it." Inwardly he waited for ". . . enchantment to lapse, so that meaning could fill them to the brim." In fact it did not turn out to be as simple as that for he could not separate fact from symbol. "Misunderstandings fenced me about. . . . Our cook and Captain Cook must be linked. Fifteen men on the Dead Man's Chest: the dead man must have been a giant." The child Vansittart is clearly father to the adult who became an author.

If words were the means of his craft, the matter was the chance encounters of life with an emphasis on "chance." In London he walked and walked the streets seeing and half-believing. Hotels deserve a special mention:

". . . short stories sit at each table, questions are left unanswered on stairways, people die in lifts from some secret complaint, unlikely partners gesticulate, curse, lament, just out of earshot."

Within earshot, Mr Vansittart gives us Philip Toynbee and Wilfred Israel, his early publishing efforts and his failed marriage. But even they are muffled by his angle of perception. Paths from a White Horse is rightly sub-titled A Writer's Memoir. It is both by a writer and for writers. It is also lavishly punctuated with the comedy of anecdote and quotation.

Ronald Hayman is mentioned by Peter Vansittart as a friend but the aims of his boyhood memoir are very different. While Vansittart is a master of disguise (mostly, but not always of himself) Mr Hayman is determined to strip off every self-concealing layer. The setting is Bournemouth where Mr and Mrs Jack Hayman run a large hotel facing the sea. Supporting characters include Grannie, a huge and dominating figure whose death gives Mr Hayman the opportunity for a memorable set-piece. There is Tonks, the head waiter, about whom everything was "creased, from his voice and his smile to his trousers and his patent leather shoes." There is Teddy, Mr Hayman's younger brother. There are various members of his wider family, including the beautiful one-eyed Aunt Valerie with whom Ronnie eagerly loses his virginity.

Hotel life would be interesting background enough. Jewish hotel life with its emphasis on diet and rule gives the story a painful intensity. Secrets is the title because Little Ronnie learned that to be secretive was his best defence against his family. Perhaps this book is a final shrug to that need.

Childhood in Bournemouth was both particular and protected. But soon Mr Hayman was to pay the price of being clever and hard-working. He won a scholarship to St Paul's School in London. He stayed in London with his drunken Uncle Ben, miserable Aunt Hetty and bullying Cousin Dave. At St Paul's he first saw (with horror and dishelief) Jewish boys eating school meat and it was here that he began to lose his own faith.

Faith is at the centre of Mr Hayman's book—his father's proud possession of it and his own eventual loss. In a final paragraph, he denies having any regrets, arguing that he has substituted "a religion of consciousness" of which "the underlying aim was to fight imaginatively against the only evil I recognised—stupidity, insensitivity, ignorance about what causes suffering."

Rachel Billington

Tiger who tamed the terrorists

TEMPLER TIGER OF MALAYA: THE LIFE OF FIELD MARSHAL SIR GERALD TEMPLER by John Cloake Harrap £14.95. 508 pages.

JOHN CLOAKE has written of the life of the most respected soldier in post-war Britain. Field Marshal Sir Gerald Templer (1898-1979) was very much the product of the old army, the last Chief of the Imperial General Staff to be born under Queen Victoria and to have served on the Western Front. Yet Templer was most successful at a time when the British Empire was rapidly vanishing and her army losing status and numbers. He is remembered by most not for his brief fighting experiences in France or at Anzio, but for his taming of the Communist guerrillas in Malaya between 1952 and 1954.

In professional circles, he is honoured for his fight as CIGS against the efforts of the Macmillan government to destroy the heart of the British army, the infantry regimental system in which Templer was nurtured. The "Tiger of Malaya" prepared the way for an independent state. Against Selwyn Lloyd, Templer managed to save all but a few of the historic regiments though he could not block a radical re-organisation of the British defence forces.

What we have here is a full-dress biography somewhat old-fashioned and leisurely in pace, but superbly researched and engagingly written. The writer's decision to work on a large canvas has brought him high dividends. From the early chapters describing Templer's Irish and military roots and school days the hated Wellington and never made his peace with that school) until the final chapter on Templer's successful efforts to establish the National Army Museum, Cloake provides both a portrait of a dominating figure and a picture of the state and military establishment he so loyally served. It is somewhat paradoxical that a man who was a thorough traditionalist, a nationalist and imperialist, who loved the army above all else and deplored, as heartily as any of his pre-1914 predecessors, the intervention of "Bloody Frocks" in military matters, should be best known for his achievements as High Commissioner in Malaya. Yet it is entirely fitting that the Malayan chapters should constitute the central sections of this biography.

The author, who is a retired diplomat, provides a sympathetic reading of Templer's career. The Field-Marshal was certainly not an easy man. He had a reputation, fully deserved, for being tough and even ruthless. He drove his staff hard, had no patience with incompetence, and allowed little margin for delay or error. He demanded performance. He was also meticulous about points of ceremony and dress.

Templer had a sharp tongue and a caustic wit which could be used to good effect but could also wound. He was a hard man to work for though those who proved competent came not only to respect but to love him. Indeed, he inspired intense loyalty. In Malaya, Templer's dynamism, hardness and firmness brought success. It may have been one of the few remaining places in the British Empire where the Templer treatment could have proved so effective, for the methods used to implement the Briggs plan during the Emergency rightly troubled the liberal conscience and Templer had his critics. His imperious methods and tongue-lashings could well have been counter-productive in a different environment; in Malaya they galvanised men into action and produced positive results.

It is not only Templer's dynamism and firmness which explain his achievement; he was also highly intelligent and a good judge of men. He understood that taming the Communists would require far more than brute force and his campaign against the guerrillas was based on a brilliant use of intelligence methods. He knew he had to deal justly with the Chinese and aborigines as well as the indigenous Malayans if he were to deprive the Communists of popular support and lay the base for an independent Malaya.

John Cloake has really penetrated the Templer skin. This insightful biography is, after all, in a different category from most studies of military commanders. But though Templer's main achievements were not on the field of battle, his talents and virtues as well as his faults, were of a military kind. He was, by order, an administrator-politician but his distaste for politicians and politics was only enhanced by his experiences during the Suez crisis and in his dealings with Selwyn Lloyd when CIGS. He knew, as civilians did not, what drove men to fight and to remain loyal and how these qualities could best be nourished. He was in the end of his life a regimental man. It was in a particular place and at a particular time that Templer came into his own, the toughness and experience suited him for a specific challenge.

Lady Templer has been wise in her choice of biographer. John Cloake has caught the essence of the man and understood the nature of his services. This is a very perceptive study.

Zara Steiner

Sir Gerald Templer: mastery in Malaya and tough-talking at home

Lop-sided view of adopted young

LOST CHILDREN By Polly Toynbee. Hutchinson. £10.95. 199 pages.

THE RELATIONSHIP between parent and child arouses deep human emotions. It carries with it the possibility of great happiness but also high tragedy. To bring up a child born to someone else is even more complicated. Stories arising from this complex web of human relationships abound throughout literature from Oedipus to Annie.

Adoption as a legal process, where a child born to one person becomes legally the child of the adopters as if born to them, has existed in England only since 1926. In the early days it was accepted without question that the fact of adoption should be kept secret from the child. Now it is agreed that adopted children should be told the truth.

Every major piece of research into the outcome of adoption has shown that adopted people regard those who brought them up as their real parents but want to know something about their natural family background; perfectly normal curiosity which comes and goes in waves. In some people the need is greater than in others. Certain events in life seem to trigger off a more pressing need for information and, in some cases, the desire to search for the birth parent.

The need of adopted people to have information about their original birth family was recognised by a provision in the Children Act 1975 which gives adopted adults the right to obtain a copy of their original birth certificate. For some, this is enough. Others wish to go further. Finding the birth parent from the limited information on the certificate requires the skills of a detective.

This book tells the stories of eight people who set out to trace their natural mothers. The stories are fascinating and full of human interest; they were picked because the author thought they were reasonably typical; even though somewhat curiously one of the people in the book had not been adopted at all — but had grown up in a boys' home. The need for information about origins is not exclusive to adoption but applies to others who become separated from their original roots. Research into fostering shows that foster children have similar needs.

The conclusions, which tend to be rather anti-adoption, are presented as if they were the result of careful balanced research. In fact the book is rather lop-sided. The stories are all of adoptees who searched for their parents, and some interviews with natural parents who had been found. There is no interview with the mother who refused to meet her son. There is nothing about the great majority of adopted people who do not search, except a suggestion there is something abnormal about them. The adoptive parents do not feature at all.

The book takes insufficient account of the fact that society and adoption practice have improved since the adoptees in these accounts were born. Private placements by adoption fixers are illegal; great importance is attached to the identity factor in adoption placement practice.

The view given, of social workers callously cutting off children from their natural parents thereby causing identity problems, is unfair. Fewer babies need adoption than 20 years ago, but there are still ... for whom it provides ... There is ... but it ... six weeks in plas... ...ths of rehabili... ... recommenda...

Directors zoom in on us

IMMORAL MEMORIES by Sergei Eisenstein, translated by Herbert Marshall. Peter Owen, £20, 282 pages

A MAN WITH A CAMERA by Nestor Almendros. Faber & Faber, £9.95, 306 pages

THE CLASSICAL HOLLYWOOD CINEMA by David Bordwell, Janet Staiger and Kristin Thompson. Routledge & Kegan Paul, £40. 506 pages

FILM-MAKING IN 1930s BRITAIN by Rachael Low. George Allen & Unwin, £12.95, 413 pages

BERNARDO BERTOLUCCI by Robert Phillip Kolker. British Film Institute, £16 hardback, £7.95 paperback, 240 pages

THE ONCE AND FUTURE FILM by John Walker. Methuen, £11.95, 180 pages

BRITISH CINEMA NOW edited by Martyn Auty and Nick Roddick. British Film Institute, £12 and £5.95, 160 pages

NOW RECEIVING its first publication in English, Sergei Eisenstein's 39-year-old autobiography Immoral Memories is the year's outstanding case of better-late-than-never. Few movie memoirs have ever ranged so widely or so richly. Childhood in Riga; overnight fame in Moscow; tribulations in Hollywood; traumas in Mexico; jostlings with the famous in Paris; struggles for artistic survival in Russia under Stalin.

Eisenstein has a questing, vivid eye for details of place and personality and a snapshot ability to capture them "on the wing." Pen portraits of Gance, Cocteau, Sternberg, Garbo (and even Rin Tin Tin) are like film images in a different medium; these accounts were horn. ... the artistic passions he confesses to (Daumier, and Poe) tell us much about the sympathies and accords that shaped his own style as a film-maker.

Herbert Marshall's translation is vigorous and immediate, catching the freewheeling charm of a book able to alternate high-power critical focus (including a discussion of "micromontage" techniques in Pushkin) with a brisk, often self-satiric humour ... private ... Nestor Almend... It would ... great movie tal... ...ly wrong if ...ing, knowing wanderlust. France's best-known cinematographer graduated from not-so-humble beginnings as Truffaut's cameraman (L'Enfant Sauvage, La Chambre Verte) to fame and fortune in Hollywood (Days of Heaven, Places of the Heart) and to directing his own movie, Improper Conduct, the acclaimed documentary on Cuban artistic exiles.

A Man With A Camera, his autobiography, is more sober than Eisenstein's; indeed sometimes too sober as it steps mutedly, matter-of-factly from assignment to assignment. But no book could better initiate the layman into the mysteries of movie photography, with its arcane vernacular of matte-shots and miniatures, parallaxes and Plon-sequences. As with Eisenstein, it is hard to resist the occasional flashes of throw-away self-deprecation or self-satire. ("There are films where the camera operator actually handles the camera, while I sit nearby in a folding chair with my name on the back.")

The Classical Hollywood Cinema is a book you should not trust to a frail coffee-table: 500 weighty pages of the history—artistic, technical, sociological—of narrative film-making in America.

David Bordwell, Janet Staiger and Kristin Thompson, the authors, pick up a declaration made by Truffaut in the 1960s on behalf of his French New Wave confrères: "We loved the American cinema because the films all resembled each other." They pursue the proposition into an exploration of Hollywood style and of the moguls, movie-makers and market forces that formed it. Persuasively argued, the book is also packed with facts, figures and photographs.

Rachael Low's Film-Making In 1930s Britain is the latest instalment in her massive UK movie history. Here she spans the ten years between the coming of sound and the beginning of World War II. Though lightweight critically (in thumbnail verdicts on individual films), Miss Low is an undoubted heavyweight when it comes to going 15 rounds with such bruising British institutions as the Quota system and Censorship. The pictures are a treat, too.

I am always suspicious of critics who scorn the utterances of the directors around whom they are weaving their theories. Robert Phillip Kolker's Bernardo Bertolucci declares at the outset "Sometimes the things Bertolucci has to say about his work have little to do with the analysis I am pursuing; sometimes he speaks arrant nonsense." So sometimes does Mr Kolker.

He gets the plot of Verdi's Rigoletto wrong, he calls the painter Antonio Ligabue "Vittorio" Ligabue, and he discusses Bertolucci's Partner for 30-odd pages without mentioning a prime and avowed influence on the film, Jerry Lewis's The Nutty Professor. If you can put up with all this, plus the usual gobbledegook of the New Criticism ("intertextuality," "iterability"), there are a few shafts of insight, especially when Mr K discusses the key struggle in Bertolucci's work between the urge to complexity and the quest for popular impact.

Finally, British Film Year drops two slim volumes on our doormats. John Walker's The Once and Future Film deftly and valuably voyages round the recent British film scene — from Grade to Goldcrest, Parker to Puttnam, Hammer to Handmade — and the severer British Cinema Now turns its gaze on inter alia funding, distribution, audience patterns and British film critics. The FT film critic is deprived here, along with The Observer's Philip French, as adopting an "increasingly right-wing stance." This makes a refreshing change from letters accusing me of being a daftie liberal.

Nigel Andrews

CRIME

CONFESSIONAL by Jack Higgins. Collins £9.50. 256 pages.

JACK HIGGINS is a thriller writer in a class of his own. Confessional is one of his most intricate tales.

It is set in 1982 during the war with Argentina. The Pope is on his way to England, an assassin is on his way to kill the Pope. Cuchulain, the assassin, is the most complex Higgins character yet. He can kill in cold blood, but risk capture to save a life.

Liam Devlin, retired IRA gunman, makes an active reappearance; dragged away from his scholarly life as a university professor to help hunt the killer that both British intelligence and the IRA would like to ... dead.

Brian Agar

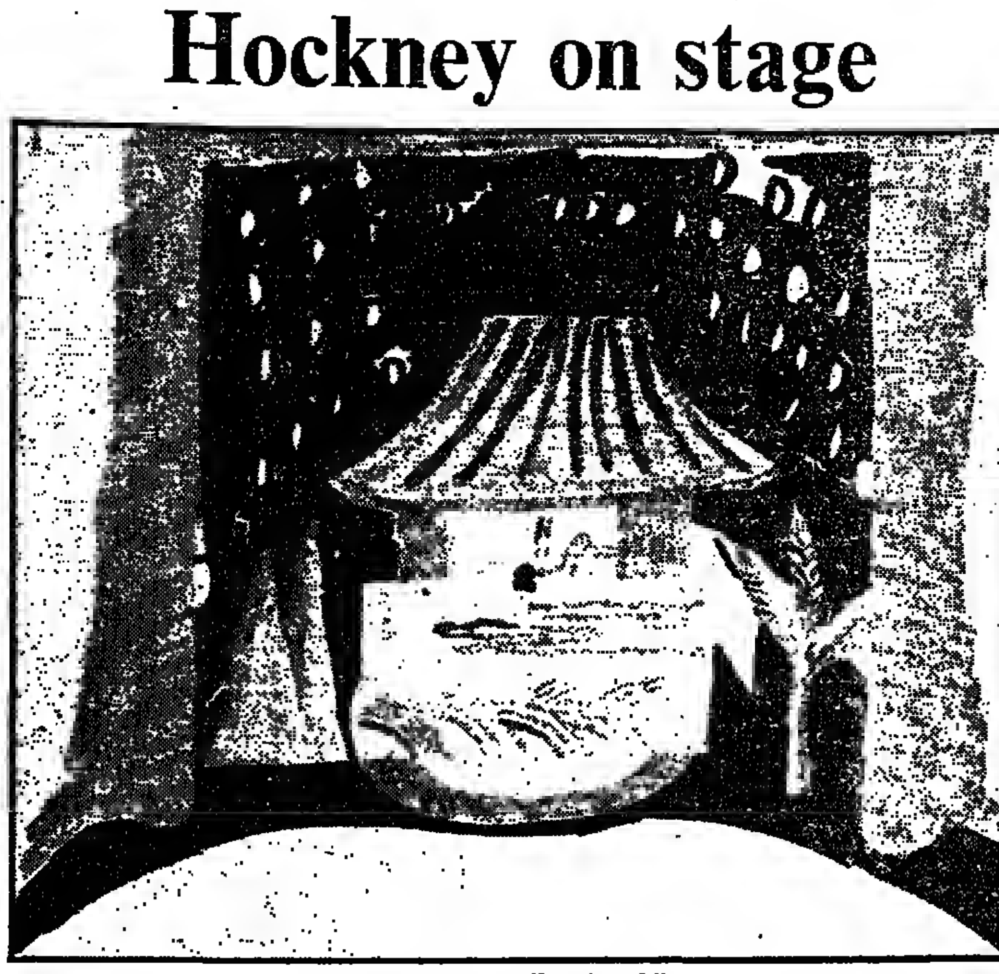
Exhibition

Hockney on stage

THE WHOLE question of "easel-painters" working in the theatre was recently the subject of much controversy at Covent Garden, controversy to which the arrival of "Hockney Paints the Stage" at the Hayward Gallery adds, if not fuel, then certainly food for thought. In simplest terms and despite recent technological developments, painters work in two dimensions and stage designers in three. The factor of a third makes a crucial difference.

Diaghilev started cross-fertilisation by using Picasso, but he used him and his successors mostly for dance, in which the definition of theatrical space has to be subtly different from that for opera. How many great artists have been successful as stage designers? Not Kokoschka, not Chagall. Sir Sydney Nolan? Arguable: his décor for the Royal Opera's *Samson et Dalila* worked well in a piece that has many characteristics of oratorio, and one thirsts to see his *Trovatore* for The Australian Opera, of which ecstatic travellers' tales are told.

Hockney? Yes and no. The exhibition confirms what I have often thought—that I would willingly pay almost anything to acquire one of his designs for my wall, and pay almost as much never again to have to sit through some of the results in the theatre. His most complete failure was *The Magic Flute* at Glyndebourne, and it is interesting to read in the book of exhibition (perhaps that should be *vice versa*—it is certainly not a catalogue) that John Cox, the producer who commissioned them, found the designs virtually impossible to direct in. They couldn't be lit properly ("that is to say, as pictures"—giveaway words) and there was drastically insufficient provision of such basic requirements as entrances and exits: doors, gates, staircases were just painted. Yet as pictures inspired by the *Flute*, the designs do have a certain eclectic charm.



Sketch for "Rossignol"

Similarly with *The Rake's Progress*. The collage costume design for Nick Shadow, the working drawings for mummies, chandeliers, etc, the preliminary sketch rather than the actual design for Bedlam—all are entrancing pictures. But in the theatre the cross-hatched drops and costumes were a positive health hazard for anyone with a propensity for migraine, and the jokes, while not inappropriate to a twee, twittery score that is as arch as the Pont du Gard (for which remark I shall doubtless be sent to Coventry by the music critics on this page), suffered from the difference between painterly and theatrical time-factors. Mother Goose's Lechometer is funny as a cartoon, less so when it doesn't do anything for 15 minutes, and the Joshua Reynolds tomb joke—which significantly enough is not in the original set model—fell flat as a pancake ten seconds after curtain rise.

The whole *Rake* section is somewhat upstaged by the inclusion of Hockney's marvellous 1963 series of etchings on the subject: powerful though the operatic version of Bedlam may be, it pales beside the etching of five people with their backs to you sporting "personal stereos." What more fitting image of alienation could there be?

The operatic Bedlam turns up in one of the exhibition's novelties, five "large-scale painted environment" constructions based on the designs and presumably executed by the artist's assistants, in one case (the *Flute*) rather crudely. They are accompanied by the appropriate music, which highlights another total failure: walking into the poster-paint, garishly day-glo "Ravel's Garden" and hearing *L'Enfant et les sortilèges* says it all. Yet even here some of the accompanying gouaches, pictures rather than designs, point to one artist's vision struggling to get in step with another's.

The undoubted successes come with works in which dance plays a dominant role, and with those—I write nervously—that have not been seen in the theatre here. The décor for Stravinsky's *Nightingale*, all willow-pattern blue with occasional splashes of alien red and the glittery gold mechanical nightingale, made an ideally strong visual statement about a piece that needs all the help it can get. It worked in the theatre, and the exhibited designs are glorious, none more so than the after-the-event photo-collage "Walking past le Rossignol."

The drawings for *Les Mamelles de Tirésias* (part of the *Parade* triple-bill at the Metropolitan Opera) have a robust humour that matches Apollinaire while perhaps lacking the needle-fine wit to march with Poulenc, but the tiny and meticulously executed "Model for French Flag" is one of the best jokes. The drop-curtain for Satie's *Parade* itself is entirely worthy as a homage to Picasso, but are the costumes both here and for *The Rite of Spring* too closely "after" the originals? A dilemma: Picasso's and Roerich's original inspirations were so powerful as to leave their successors very little room for manoeuvre.

But the working sketches for *Oedipus Rex*—masks, disposition of the *stage* and chorus—add up to the concept one would most like to see executed. There is a disciplined formality to it that could only enhance the undeniable impact of the music (out of Coventry?). Again, the paintings surrounding the project impress even more: the "Raised Stage and Masks" showing the Met's proscenium with *Oedipus* in performance is the single most riveting work on display.

Add further photo-collages and pictures associated with the theatre work—"A Visit to Chris and Don," early pyramid studies and so on — and the focus widens. If the theatre acts as an inspiration to Hockney's real work, which I admire inordinately, then so be it, but perhaps the exhibition should more properly be entitled "Hockney Paints About the Stage." Is he too fiercely individual an artist to be able to submit to the element of collaboration that designing for the theatre entails? I wonder. Either way, the exhibition should be seen, and thought about.

Rodney Milnes

Profile

Emperor of Ruritania

Next week a play about the Vietnam War, "Tracers," opens in London. It is the latest in the collaboration between the Royal Court and Joseph Papp of New York's Public Theatre

JOSEPH PAPP of New York's Public Theatre arrives in London this month to help raise $100,000 for the Royal Court Theatre. The money will give the Royal Court some autonomy and save the Theatre Upstairs. But Mr Papp admits that the money-raising is also "partly for selfish reasons."

The Public Theatre has worked for four years with the Royal Court. So far the association has provided much more for New York audiences than for Londoners. *The Rat in the Skull* and *Tom and Viv* are recent Royal Court productions taken to New York, following Caryl Churchill's *Top Girl*. In return London received Thomas Babe's disappointing *Buried Inside Extra*, directed by Papp, and will next week get the Veterans Ensemble Theatre Company's nightmarish view of the Vietnam war, *Tracers*, and —later this month—the world premiere of Wallace Shawn's *Aunt Dan and Lemon*, a Royal Court-Public co-production directed by Max Stafford-Clark, with three American and three British actors.

Papp would like to see the Royal Court emerge from its bout with the British Arts Council "a little more independent and free swinging." A member of the Public Theatre's board of directors will host a money-raising party in London to kick-off what Papp hopes will be $50,000 (£35,700) provided by the Public Theatre for the Royal Court and $50,000 the Royal Court will raise for itself.

The Public Theatre has long functioned on the profits generated by A Chorus Line, which at one time were as much as $8m a year but now are down to $1m. The rest of the theatre's $11m budget comes from a variety of private and public sources, with government grants contributing no more than 10 per cent of the total. Only when a play at the Public goes to Broadway can it actually make money, for even a sold-out first run will cover only operating costs, and contribute nothing to the $4m costs unrelated to productions.

At the moment, the Public is running at a $2½m deficit, which seems more like an incentive than threat to Papp. Aged 64, he has the reputation of being like a whirling dervish, running the five theatres at the Public, doing the summer Shakespeare in the Park, producing, directing and collecting money.

Measure for Measure is the first of the summer's Shakespeare in the Park productions. He recalls how the production rekindled his enthusiasm for Shakespeare, which was beginning to wane.

Joseph Papp

All the activities of the New York Shakespeare Festival (the producer of the plays at the Public and in the Park) are built round Papp.

With nearly two dozen productions a year, including two at the Delacorte in Central Park, the New York Shakespeare Festival has a constant need of work that nourishes and encourages talent. Not required to satisfy committees or bureaucracies, artists can thrive at the Public as long as they have the approval of one man. David Hare, who is working on a production of *Map of the World* (to be followed next season by *Pravda*) commented: "Here at the Public, it's Ruritania, and the Emperor can do as he likes."

Papp would agree, insofar as he admits that he chooses all the plays to be produced. But while everything revolves round him he does not worry what will happen without him. "With someone else, it will just be a different place. There are people here who can replace me."

The third of the Public's Theatre's London productions this summer is *The Normal Heart*, Larry Kramer's moving and insightful play about AIDS and the politics of fund and consciousness raising for the disease, which will be performed at the Bush. It reflects Papp's own interest in plays with a social conscience, even though he hates plays about diseases. "But I was given the play and told to read it. It was in terrible shape and with great effort I got through it. By the time I finished I was weeping." Thus far, in the 30th anniversary of the New York Shakespeare Festival, his emotions have served him, and the American theatre, well.

Frank Lipsius

Theatre

Bravado Mikado with a touch too much fertiliser

AFTER the pleasurable surprise of last year's *Ratepayers' Iolanthe*, perhaps we take excellent musical preparation, visual colour, ingeniously updated plot and neatly satirical lyrics for granted in the GLC's modernised G and S. This may be why Ned Sherrin and Alistair Beaton, in search of novelty, feel the need to coarsen this year's *Metropolitan Mikado* at the Queen Elizabeth Hall with expletives, sex jokes and an almost obsessive sado-masochism.

Admittedly, the callousness and brutality they postulate for England in 1996 is not too unlikely. Caring (in place of the original *Mikado's* flirting) is against the law. Sir Koko Newman, a miniscule, goose-stepping Police Commissioner with protruding ears and impish face is "the most powerful man in London." Britain itself is a Japanese colony whose puppet rulers include the Countess of Grantham (guess who) and a militaristic minister with a blond mane and a flak jacket.

The wandering minstrel is now Boy Ken, a pop-star in semi-travesti, who throws off his disguise to reveal Red Ken, former GLC leader, he of the nasal twang and little tash, whose great prototype beamingly bounded from the stalls to join the first night curtain call.

Felicities include a transmogrified Kinnock, whose Lord High Everything Else is Cambrianised into a Pooh-Bach of flowery Welsh rhetoric and who enjoys the evening's best song: imported from *The Pirates* and here transformed into "I am the very master of the multi-purpose metaphor." The excellent Martin Connor delivers couplets like "My language is poetical and full of hidden promises . . . It's like the raging torrent of a thousand Dylan Thomases" with a dexterity that surpasses the old D'Oyly Carte tradition.

If this number marks the adaptation's high-point, the depths are plumbed elsewhere. The chorus of "scrubbers, media hacks, security men and sycophants" indicates the author's aggressively bilious approach. A Margaret Thatcher, craving sexual gratification all too explicitly, three little maids who sing of pornography and lobotomy, a Police Commissioner whose whip induces orgasm in the Heseltine-clone—all this is heavy-handed, tawdry and embarassingly beyond the call of recognisable satire.

On the credit side, the Yum-Yum (Miss Isle of Dogs in Mitsubishi TV's Voice of London competition) is a carefully calculated "illiterate but lovable cockney" providing the perfect parallel to the original's arch complacency.

What saves the show is the resilience of the 1885 original. Sullivan's irresistible melodic abundance provides enough good tunes for three Offenbach operettas in this work alone (interpolations from *Utopia Limited* are interesting but unnecessary). Under John Edwards the small chorus and orchestra are exemplary.

The slightly off-colour enterprise is well served by its cast. Martin Smith's Boy Ken and Rosemary Ashe's Barbara Windsor-accented Yum-Yum are engaging lovers; and David Firth and Dudley Stevens as media knights Sir Alastair and Sir Robin try to repeat their last year's success as the Saatchis. The biggest surprise comes from Simon Butteriss's Koko. Hitherto confined mainly to schoolboys, cadets or *Peter Pan's* lost waifs, the young actor gives incisiveness, point and (a slight floundering in his "little list" apart) a sharp professional edge to the ugly lampoon of a fascist and sadistic police chief.

Mercifully the Gilbert and Sullivan partnership, that extraordinary sport in the pre-Shavian waste of the 19th century British theatre, is a robust enough bloom to take replanting; but hardly needs the excess of fertiliser with which it is here doused.

Martin Hoyle

Festival

Pilgrimage for Chaucer

CHAUCER'S pilgrims, after a delay of 600 years, have finally arrived in Canterbury. They never actually complete their pilgrimage in "The Canterbury Tales," and Chaucer was none too precise about the details of their journey; his last topographical reference leaves the pilgrims perpetually stranded somewhere between Canterbury and "Bobbe-up-and-doun."

But last Thursday, the opening day of the Chaucer Festival, which celebrates the 600th anniversary of "The Canterbury Tales," found the pilgrims riding up Canterbury High Street in full costume, accompanied by robust singing and nameless medieval instruments. The procession was led by the actress Fenella Fielding, looking suitably medieval but suffering from a particularly restive horse. The rabble, however, proved to be as much fun as the advance party; there was a devil in red and black, complete with horns and forked tail, followed by a jester who behaved exactly like John Inman and only interrupted himself to take an occasional swipe out of the nearest child's ice-cream cone.

The moving force behind the Chaucer Festival is Martin Starkie, who is financing the entire project singlehanded. He intends it to be a memorial to his friend and former tutor at Oxford, Nevill Coghill, who made Chaucer accessible to the non-specialist by offering in place of the daunting archaisms of Middle English a faithful and good-humoured modern version. The two men subsequently collaborated on a musical, "The Canterbury Tales," which Martin Starkie directed in the West End (he is reviving the show during the Festival for performances at the Marlowe Theatre).

Starkie is following Coghill's example of popularising Chaucer; ideally he would like the Festival to "build a bridge between the academic world and the man in the street." An appeal is being launched on August 11 to finance another Festival next year with the ultimate objective of establishing a Chaucer Centre. It is unclear as yet exactly what form this would take or where it would be located, but Martin Starkie's almost missionary enthusiasm for Chaucer has undoubtedly set the tone for the entire project.

Strictly speaking, the Festival commemorates the anniversary of Chaucer's first official association with the County of Kent (he was made a J.P. in 1385 and elected as a Knight of the Shire the year after), since the composition of "The Canterbury Tales" cannot be precisely dated. In Blackfriars Refectory and in the 13th century Dominican Priory there is to be an exhibition—or rather "an experience" as its creator Hugh Rowntree Clifford prefers to call it—entitled "The Living Chaucer," which aims to put Chaucer in a historical context and to saturate the visitor with the atmosphere of 14th century England.

On show in the Festival offices are works of art inspired by Chaucer, among them Dame Elisabeth Frink's etchings of "The Canterbury Tales." There will be illustrated talks, a medieval fair, special services in Canterbury Cathedral and a four-day jousting tournament at Chilham Castle. The small child next to me who asked his mother who Chaucer was is not going to be allowed to forget the answer.

The Festival runs until August 11. Details are available from the Chaucer Festival Centre, 34 High Street, Canterbury. Tel: (0227) 470 379.

Kirsty Milne

Records

Notes of absolute fidelity

THE AMPICO RECORDINGS
Sergei Rakhmaninov, 3 records, Decca L'Oiseau Lyre 414096, 414099, 414122;
Josef Lhévinne, 3 records, Decca L'Oiseau Lyre 414097, 414121, 414123;
Moriz Rosenthal, 1 record, Decca L'Oiseau Lyre 414098.

DURING the first two decades of this century the player-piano —or "Pianola," as it became known after the trade name of one successful maker—could be found in drawing rooms all over the world. The attraction was plain: anyone, without the least musical knowledge or training, could enjoy the illusion of playing the piano like a master.

Hand in hand with the pianola, however, emerged a more significant invention. Just before the turn of the century, Edwin Welte of Freiburg-im-Bresgau had perfected a similar mechanism which offered a far more convincing and faithful illusion than the player-piano. His "Welte-Mignon" was designed not merely to reproduce mechanically the notes of a work of music, but actually to reproduce the performance of a particular artist.

The new "piano recording machine" was an instant success, and by 1906 music roll recordings had been commissioned, cut and issued of such illustrious names as Busoni, Debussy, Grieg, Paderewski, Pugno, and Saint-Saens. It was only a short while before American technicians set about designing mechanisms which would improve on the German instrument. By 1911 two major systems, the Aeolian Company's "Duo-Art" and the American Piano Company's "Ampico" had emerged, both considerably more sophisticated than Welte's. The three systems together cornered the market, and by the 1920s between them had under contract virtually every notable concert pianist of the day.

There is no question that Ampico's in particular was a recor[illegible] ord[illegible] early years of acoustic recording especially, greatly superior to the thin, tinny timbre drowned in hiss and crackle that issue from the gramophone horn. Not only were the notes and their precise duration marked on each Ampico roll, but also the exact velocity of the hammer at its moment of impact on the string, and the exact degree of pressure on the sustaining pedal. When the rolls were first issued, they were enthusiastically endorsed by the public, the critics and by the performers themselves as absolutely faithful reproductions of the original performances. Demonstrations were given of live and recorded performances in succession by the same artist to emphasise the point. Rachmaninov spoke of the system's "absolute fidelity"; Moriz Rosenthal called it "the only fully satisfying method of conveying my art to posterity."

But acoustic disc recording techniques, which eventually became electric, made huge strides during the early years of the century; and by the late 1920s the state of the art was such that a piano record could offer, irrespective of its far cheaper cost, in some important ways a still more accurate reflection of a pianist's quality than a piano roll. It is interesting in this respect to compare Josef Lhévinne's fabled performance of the Schultz-Evler fantasy on *The Blue Danube* in the Ampico version of 1927, and the acoustic version which he recorded the following year.

The Ampico performance, ideally full and resonant in L'Oiseau Lyre's new recording, made for the first time on a specially prepared concert grand, is a remarkable achievement — it was, indeed, one of the most complex productions of Ampico's history, a matter of 102,895 precise cutting operations, and three separate parameter rolls, which took a team of technicians over five weeks to complete. One quality alone of Lhévinne's breathtaking performance, which we can otherwise [illegible] board command, is either missing or imperfectly captured: that extraordinary variety and subtlety of tone-colour, the magical interplay of light and shade, for which he (like his colleague Josef Hofmann) was especially renowned. The Ampico performance reproduces the major outline of that variety, but not its magic; through all the hiss and technical distortion of the acoustic recording comes a more powerful sense of what real, great piano playing is all about.

We have much nonetheless to be grateful to Ampico for—especially the elaboration and preservation of the essence of a period, and a style, much of whose detail would otherwise have been lost. Lhevinne never recorded Cui's *Causerie*: without Ampico we should never hear today one of the most mesmerising grand-romantic performance studies in the expressive desynchronisation of hands. Moriz Rosenthal's acoustic recordings mostly date from the 1930s, when he was already past his prime; if it were not for Ampico, we should never quite have believed the stupendous technical feats demanded by his *Carnival de Vienne*, and achieved by him with crystal clarity in 1920 at the height of his powers; or heard his D flat Etude of Sergie Bortkiewicz, never recorded elsewhere—a paragon of exquisite salon playing, by a pupil of Liszt. . . .

The collection of 34 piano rolls which Rakhmaninov made for Ampico between 1919 and 1928 hardly matches in range or quality the extraordinary legacy of acoustic recordings he made for Edison and RCA Victor between 1919 and 1940. But it fills one or two intriguing gaps: to my knowledge there is no acoustic Rakhmaninov recording of Chopin's B flat minor Scherzo or the F major Nocturne — and from Ampico's commanding and entirely characteristic accounts of these, the unmistakable Rakhmaninovian rhythmic stamp leaps from every page.

Dominic Gill

Radio

Suffer the children

HOW THE British enjoy suffering, especially the suffering of children! On Wednesday, Radio 4 gave us a programme, *The Flower of the Flock?*, about the export of small, unwanted children to Canada by Barnardo and other philanthropists. From 1870 until 1930 they were packed off in their hundreds to strange places, among strange people, given strange work to do among strange beasts, such as cattle. They were homesick. They were lonely. "It was like going from light into darkness," one of them told Robert Beatty, who presented their story.

But the light they left was probably an orphanage, a room shared with 10 other children, even a gutter. No doubt the idea of sending poor city kids to work in isolated, unaccustomed surroundings was not without faults. Yet the recollections some of them told us did not suggest a bottomless pit of misery. They were fed, educated, enabled to live healthier lives. The Canadians were so keen to have them that the demand exceeded the supply, and if some were used as underpaid labour, at least they weren't getting three-farthings a gross for making matchboxes, as they were in London.

Mostly they stayed in Canada, married, raised families of Canadians, took pride in their progress. This wasn't the theme of the programme. Suffering is the item to bring in the listeners, and suffering is what we had.

Radio 3 turned up a hilarious old 45-minute play by Woody Allen, called *Death*, and put Kelly Monteith in the lead on Sunday before the Prom. Kleinman a dim chap, perhaps a self-portrait, is hauled out of bed at 2.30 am to join a band of vigilantes he knows nothing of in order to participate in a plan he has never been told about to catch a maniac strangler. Everyone he meets is involved in this plan, but no one will tell him what his important part in it is. At one point a telepathic investigator who investigates by scent sniffs him out as the maniac. A moment later, however, he meets the strangler, and here is someone who does know what he's into. "Would you like to hear my mad laugh?" he asks as he knifes Kleinman in the back. Funny, well played, a happy piece, I thought.

Conrad's *Lord Jim* is a better-class novel than we usually find on the seven o'clock serial slot on Sunday. The first instalment, in Keith Darvill's adaptation, introduces Marlow (David March), with his conviction that Jim (Simon Treves) is "one of us" in spite of the shameful way he lost his ticket, and switches to the bridge of the SS Patna, with its cargo of religious pilgrims, just as the awful skipper exclaims "What in Hell's name was that?" Worth staying with.

The mass exodus of Radio 2 people from Broadcasting House is not part of the BBC's threatened 4,000 redundancies, but showmen going to present their programmes from different stations on the Western Region in the Radio 2 Railshow. Such is the magic of the wireless that the shows sound roughly the same. The publicity is tactfully kept off the air.

But Radio 2 is spreading everywhere. On Thursday mornings it invades Radio 4 from nine o'clock to mid-day under the name of *Pirate Radio 4*, part of that channel's yearning for long, seamless programmes like the Colour Supplement and the Roller-Coaster.

My colleague Nigel Andrews had an immensely interesting hit on Radio 3 on Monday, *Art is a Mother of Lying a Little*. Cinema directors can go for reality on location, or they can make their own realities (or avoid reality on the sound-stage in the studio. Mr Andrews brought in six directors to present differing opinions. Who is right, who is wrong? No one, apparently. It is a matter of fashion.

Cheerful children's concert

OLD HAT they may be now, but Prokofiev's *Peter and the Wolf* and Poulenc's *Story of Babar* are still unbeatable pieces for a children's concert, like Thursday's by the City of London Sinfonia. We had Bizet's *Jeux d'enfants* too, quite brightly played on what sounded like no rehearsal at all. The conductor Stephen Barlow had probably had more time with *Babar*—the imaginative charm of Jean Francaix's orchestration (Poulenc wrote only the piano version, for entertaining nephews and nieces with) was nicely realised.

So too with Prokofiev's *Peter*, with excellent wind soloists. Barlow was inclined to be over-delicate, with lingering fades at too many section-ends: perhaps by Sunday's repeat performance the triumphal march will have a more gleeful bite, and Poulenc's lovely coronation-and-wedding march a richer sweep.

Richard Stilgoe made a splendid narrator. After cheerful introductions he told the stories energetically and straight, without winsome additions, and he was much quicker on his cues than Barlow: he knows how to hold an audience. I was delighted to learn that the reason the orchestra tunes to the oboe is that nobody has ever discovered how to tune an oboe.

WEEKEND FT

Private view

Pluralism and the BBC

WHAT IS it that makes so many people regard broadcasting as fundamentally different from other forms of publishing: newspapers, books or music? The answer to that question has never been clear.

It is hard not to feel sorry for the Board of Governors of the BBC. Its members have been vilified enough. They were in a very difficult position. The BBC is dependent on government for funds. The present government does not particularly like the BBC. If the Prime Minister and the Home Secretary decide to lean on the Board to suppress a programme, it is very difficult to see what the Governors have to gain by defiance, except martyrdom: always a dubious asset.

Besides, it is quite possible that the decision not to broadcast the interview with Mr Martin McGuinness of the IRA was right. He is, after all, quoted in this week's *Radio Times* as saying: "At the end of the day the responsibility for every death lies at the feet of the British Government."

Although I do not think that statements should be withheld merely for being fatuous, neither does fatuity, especially when tinged with blood, command a right to be shown on the BBC.

It was the manner of going about it that was wrong: the public tussle between the government and the Board, and between the Board and the BBC staff. And the BBC and ITV are very much two of a kind: a duopoly.

The trouble lies in the system: and it will recur again and again until the system is changed.

Consider the following proposition. If the BBC has been publicly shown not to be fully independent, what is the point of the BBC? You might say that it was a one-off affair from which everyone has learned a lesson, though I doubt it.

What would you think if there were a sole national newspaper, or perhaps two, in the interests of something called public service newscasting? You would, I guess, be fairly sceptical.

What would you think if there was over them a regulatory body, or Board of Governors, at least the head of which was appointed by the government: which could be called upon by the government in advance to judge whether a certain article should be published? The government might have power to reduce funds or access to newsprint if publication went ahead. You would be beginning to suspect that it sounds a bit like *Pravda* or the *People's Daily*.

What would you think if someone said that licence in the field of book publishing had gone a bit too far, and that it might be desirable to introduce a form of index, such as the Vatican had in the past? Or if some regulatory body said that while Mozart was good for the people, Richard Strauss was decadent and should be played, if at all, only to selected audiences late at night?

Yet that is not parody. It is almost exactly the regime we have in British broadcasting. In all other areas of publishing, such questions were resolved long ago in favour of pluralism and the maximum freedom of choice. The only constraints are the market (unless someone wants to provide a subsidy) and the law: for example, on defamation, obscenity or breach of copyright. Broadcasting needs the same liberation.

This week's arguments coincided with the first television showing of *The War Game*, a programme made for the BBC in 1965, then withheld because it was thought to be unsuitable for widespread public viewing. The film seemed to me to be utterly tendentious — then and now.

But that proves the point. There are, also, lots of what I consider to be very bad and misleading books about defence and nuclear war in the library, as well as articles in the newspapers. That does not mean that they should not be there. One has the choice of reading all the literature and coming to an independent conclusion.

British broadcasting in its present form does not offer that range of option. Therefore it is stuck with crypto-censorship and a spurious concept of balance. It is now possible to begin to open up the channels and airwaves to all comers. Until that happens, re-runs of the McGuinness controversy can break out at any time.

Malcolm Rutherford

Sport

Something to do with Yorkshire

THEY SAY that when Greek meets Greek they start a restaurant. Well, when Yorkshireman meets Yorkshireman (and I speak as a native), one usually puts the knife into the other.

But then, nobody will ever understand us, so I pass on to Yorkshiremen in particular, and others, Don Mosey's new book on Geoffrey Boycott, which isn't exactly a knifing job but will do very well until one comes along.

Mosey, a BBC cricket commentator, is the ideal author for this latest evaluation of Boycott. As a newspaper reporter in the days when the great man was little more than a callow colt, Mosey ferried him in his car from county game to county game and nursed him when he sat in the car wailing, "They say Hampshire is a better player than me but he's not."

The book certainly raises interesting issues about county cricket. Is the more democratic structure in Yorkshire (a head-counting of people, many of whom may never have lifted a cricket bat except on the local recreation ground) likely to result in a better-run club than the traditional committees of ex-players and county gentlemen with linseed oil in their blood?

Yorkshire's greatest years were under that great dictator, Brian Sellers, a former county captain. He was a hard man. Bob Wyatt, now 83 and a survivor of the 1932 bodyline tour of Australia, says that when he was chairman of England selectors and couldn't make up his mind whether to discipline Bill Edrich over a fairly trivial offence, Sellers, his deputy, declared: "If you don't, I will."

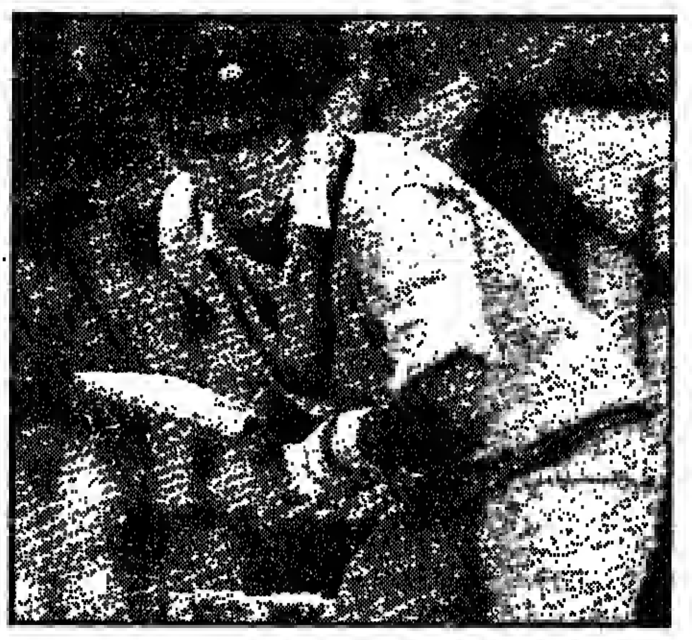
Mosey portrays Boycott as a player obsessed by statistics and his own performances. How can a team be skippered successfully by a man who, out for less than he expects to get, spends hours brooding in the pavilion when all the side needs are some tactics?

Boycott once failed to run out Tony Nicholson, Yorkshire's last man in, and was run out himself. His remarks were unprintable.

Mosey invokes the English civil war, the French revolution and the decline of the Roman empire to comment on the Yorkshire upheaval as a result of Boycott, and who but an effete southerner could say he's putting it a bit strong?

But what emerges from the book is probably the best profile of a player ever written. For all Mosey's stories of Boycott's problems with his Yorkshire colleagues

Alan Forrest



Geoff Boycott: Hampshire v Yorkshire at Southampton

We wuz robbed at the stadium

WHEN I was still a slim stripling, not so long after I won a high jump medal at Crystal Palace without having to jump (my opponents deserted), I stood among a 60,000 crowd to watch a British Empire v U.S. match at the White City. That was after the 1948 Blankers-Koen Olympics at Wembley.

Alas, the White City is no more, and although the golden age of British middle-distance running gleams ever more brightly, 60,000-strong crowds for athletics in Britain are a thing of the past. Perhaps if former Labour Minister for Sport Denis Howell succeeds in landing the 1992 summer Olympics for Birmingham, the clock will be turned back.

Of course, it is all down to the one-eyed god of television. You need not miss what Fatima and Tessa are doing if you are concentrating on the 17th lap of a gruelling, competitive 10,000 metres. But you can and do miss a lot at the stadium, where as many as five events are going on simultaneously.

However, television is not good for everybody. Olympic athletes have to perform at odd hours to meet the scheduling demands of American television. Two months back I booked for my family to see a crammed evening of top athletics in the Peugeot Talbot Games at Crystal Palace two weeks ago. But American television waved its greenbacks and a thinner than expected star turn-out was spread over two days, with the highly hyped Decker-Slaney re-match against Zola Budd hived off to the Saturday.

We wuz robbed! And what with the debacle over Brazil's Olympic 800-metre goldsmith Joaquim Cruz it all left rather a sour taste.

There were thin rations of international-class talent on duty last night at the International Athletes' Club meeting. The sad fact is that these two major meetings of the British athletics season, both international permit meetings, and both part of the newly minted $5m Mobil grand prix series, have not been up to the quality of their equivalents in previous seasons, before the big money started pouring into the traditionally amateur sport.

The ranking lists for the Mobil series, building up for a grand finale meeting in Rome on September 7 are, frankly, headed by mostly second-class international athletes. The Americas-West Europe-Eastern bloc competition has not truly fused and the fact that different promoters and sponsors are responsible for all but the final meeting is a hindrance.

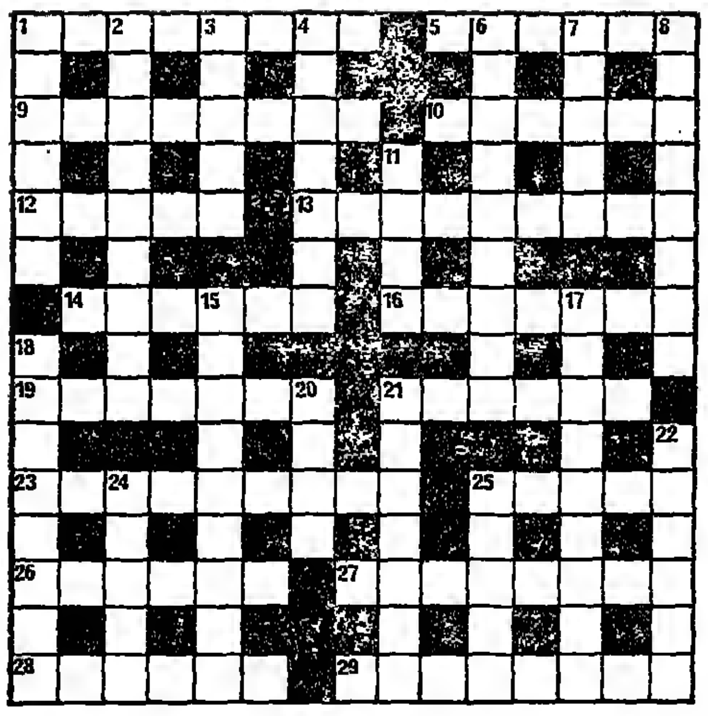
Mobil deserves credit for bringing an imaginative innovation to international athletics, and I believe group officials feel a little disappointed about the way things are going. But their partners are the International Amateur Athletic Federation, and I know that both parties will be learning from first-season mistakes and that there will be significant changes in the rules for next year.

One great disappointment is that a leg injury prevented quadruple Olympic gold medallist Carl Lewis from meeting his planned European dates. His absence has been a real body blow.

However, one brutal truth is that the cash incentives—eventual event winners for the series each receive $10,000—are not sufficient to lure the superstars from their carefully chosen, carefully negotiated diary of engagements in which confrontations with deadly rivals are carefully rationed.

James French

Steve Cram heading for a 1500m world record at Nice in July



F.T. CROSSWORD PUZZLE No. 5,786

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

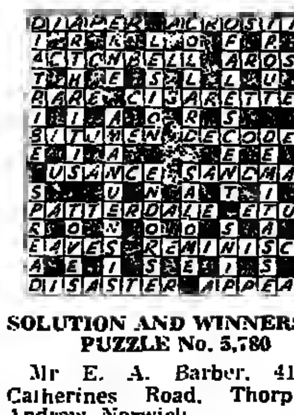
ACROSS

1 Store directors after a prize (8)
5 Taste pop — and not before time! (6)
9 They may depend on listening devices (8)
10 Courage given by alcohol? (6)
12 The girl making petition is retrogressive at heart (5)
13 Respect for guard surrounding the queen (9)
14 Stayed to reorganise firm (6)
16 The number-one man, a hard worker though inflexible (7)
19 Refund all other foreign coin (7)
21 A lot hold back in the city (6)
23 The French female upset poor men as a satirist (9)
25 Result: one's put in a note (5)
26 Amorous but erratic artist leaving love inside (6)
27 Separate new dieters — around a hundred (8)
28 In this heat heads need covering (6)
29 Finding it among some stones causes alarm (8)

DOWN

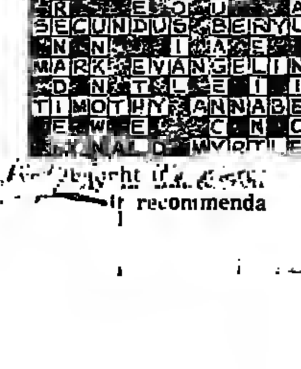
1 Soldiers in action double up (6)
2 Dependants, as a priest may show (9)
3 O to be a fruit woman! (5)
4 Dress without thought, but not in casual fashion (7)
6 Article on disquiet about bold concern (9)
7 Front cover (5)
8 Admission about tea-maker's appeal (8)
11 Once ruler of a sporting body (4)
15 Advocate a game requiring sense (9)
17 Designing fellow putting forward constructive ideas (9)
18 Their work is boring (8)
20 It's better never to include this eagle (4)
21 Indicating ruin to the top man (7)
22 Break concerning the engineer on a ship (6)
24 Animals and duck in some variety (5)
25 Like a little house here? (5)

Solution to Puzzle No. 5,785



SOLUTION AND WINNERS OF PUZZLE No. 5,780

Mr E. A. Barber, 41 St Catherines Road, Thorp St Andrew, Norwich.
Mr L. P. Knight, 78 Sandringham Drive, Paignton, Devon.
Mrs M. Wells, 12 Long Shepherds Drive, Caswell, Swansea.
Mr D. Hibbert, 2 Quarry Cottages, Apethorpe, Peterborough.
Mr H. Corlett, Stroanville, Laxey, Isle of Man.



TELEVISION AND RADIO

SATURDAY

† Indicates programme in black and white

BBC 1

8.30 am The Saturday Picture Show. 10.55-5.05 pm Grandstand, including 1.00 News Summary; Cricket (England v Australia); Racing from Goodwood; Show Jumping from Dinard; Motorcycling and London sport Final Score (classified results).
South-West (Plymouth) — Spotlight Sport and News; All other English regions—Sport and Regional News; Wales—Sports News Wales; Scotland—Sport; Northern Ireland—Northern Ireland News and Sport. 5.20 The New Adventures of Wonder Woman. 5.05 Anything Goes. 6.55 Film: "The Magnificent Seven Ride!" 8.30 Are You Being Served? 9.00 News and Sport. 9.15 Shogun. 11.35 Joan Armatrading.

BBC 2

3.10 am Saturday Cinema: "Take Me to Town," starring Ann Sheridan and Sterling Hayden. 4.30-6.15 Cricket: Fourth Test between England and Australia at Old Trafford. 6.15 The Sky at Night. 6.35 Commandos of Conservation. 7.25 News and Sport. 7.40 Rene Cutforth: From Our Special Correspondent. †8.30 Film: "The L-Shaped Room," starring Leslie Caron and Tom Bell. 10.35 The Good Old Days. 11.30-12.05 am Cricket: Fourth Test (highlights of the third day's play).

LONDON

6.15 am TV-am Breakfast Programme. 9.25 LWT Information. 9.35 Matt and Jenny on the Wilderness Trail. 10.00 Adventure of a Lifetime. 10.25 The Making of Superman II. 11.15 The Champions. 12.15 pm World of Sport including 12.20 International Athletics from Crystal Palace: 12.45 News, followed by Australian Pools Check: 12.50 Polo: 1.40 Racing from Newmarket: 1.55 Rallying: 2.10 Racing from Newmarket: 2.25 Water Ski-ing: 2.40 Racing from Newmarket: 2.55 Water Ski-ing: 3.50 News Round-Up: 3.55 Wrestling: 4.50 Results.

5.00 News. 5.05 Cartoon Time. 5.15 Happy Days. 5.45 Just Amazing. 6.30 Kelly's Eye. 7.15 Bottle Boys. 7.45 Ultra Quiz '85. 8.45 News and Sport. 9.00 "Meteor," starring Sean Connery, Natalie Wood and Karl Malden. 11.00 London News Headlines followed by Twenty Years On. 12.00 Bellamy. 12.45 am Night Thoughts.

CHANNEL 4

1.00 pm Nature In Focus. 1.30 Ever Thought of Sport? †1.55 "Easy Living" starring Jean Arthur. †3.30 "The Blue Lamp," starring Jack Hawkins, Jimmy Hanley, Dirk Bogarde and Peggy Evans. 5.05 Brookside Omnibus. 6.00 The World Games 1985. 7.00 News Summary followed by Rejoice. 7.30 Opinions: "Happy Families?" 8.00 Tales from a Long Room. 8.15 Sanne. 8.45 The Optimist. 9.15 Fathers by Sons. 10.00 Hill Street Blues. 11.00 "The Bribe" starring Robert Taylor, Ava Gardner, Charles Laughton, Vincent Price and John Hodiak. 12.50 am The Paul Hogan Show.

S4C WALES

1.20 pm The World: A Television History. 1.50 The Art of Persuasion. 2.20 Fathers by Sons. 3.05 From the Face of the Earth. 4.00 Feature Film: "I Wonder Who's Kissing Her Now." 6.00 The World Games 1985. †7.00 The Three Stooges. 7.20 Newyddion. 7.30 Llun ar y Sgrin. 8.00 Tifell. 8.45 Pigion y Dydd. 9.45 Tandoori Nights. †10.15 Feature Film: "The Sea of Grass," starring Spencer Tracy and Katharine Hepburn.

REGIONS

IBA Regions as London except at the following times:—

ANGLIA

9.25 Cartoon Time. 9.35 Captain Scarlet and the Mysterons. 11.20 Tarzan. 5.05 pm Dreams. 5.35 Chips. 12.00 Live at City Hall. 12.30 am At the End of the Day.

BORDER

9.25 am Walt Disney Presents. 9.35 Freetime Special. 11.20 Chips. 5.05 pm The Zodiac Game. 5.35 Knight Rider. †11.00 The Mysteries of Edgar Wallace.

CENTRAL

9.25 am Walt Disney Presents. 9.35 Freetime Special. 11.20 Chips. 5.05 pm The Saturday Action Film: "Gold" starring Roger Moore and Susannah York. 11.00 Magnum.

CHANNEL

9.25 am Cartoontime: Sylvester. 9.35 The Smurfs. 9.50 Puffin's Pla(i)ce. 9.52 Blockbusters. 11.20 Puffin's Pla(i)ce. 11.25 Tarzan. 12.14 pm Channel Islands Weather Summary. 5.05 Puffin's Pla(i)ce. 5.07 Connections. 5.35 Knight Rider. 11.00 The Who—Final Concert.

GRANADA

9.25 am Walt Disney Presents. 9.35 Captain Scarlet and the Mysterons. 11.20 Chips. 5.05 pm That's My Boy. 5.35 "Carry On Camping." 11.00 Hawaii Five-O. 11.55 The Boomtown Rats. 12.50 am Comedy Tonight.

HTV

9.25 am The Wonderful Stories of Professor Kitzel. 9.30 Captain Scarlet and the Mysterons. †11.15 Fireball XL5. 11.45 Just Our Luck. 12.13 pm HTV News. 5.05 Keep It in the Family. 5.35 Chips. 11.00 Tonight's He's Yours: Rod Stewart.

SCOTTISH

9.25 am Cartoon Time. 9.30 Beathaichean Neonlach. 10.00 Bits 'n' Pieces. 11.20 Freetime Special. 11.50 Adventures of a Lifetime. 5.05 pm Diff'rent Strokes. 5.35 The A-Team. 11.05 Twenty Years On.

TSW

9.25 am Fisheries News. 9.35 The Smurfs. 9.50 Gus Honeybun's Magic Birthdays. 9.52 Blockbusters. 11.20 Freeze Frame. 12.12 pm TSW Regional News. 5.05 TSW Regional News. 5.07 Connections. 5.35 Knight Rider. 11.00 The Who — Final Concert. 12.05 am Short Story Theatre. 12.35 Postscript.

TVS

9.25 am Foghorn Leghorn. 9.35 Scooby Doo. 10.25 Batman. 10.50 Sealab 2020. 11.15 The Making of Superman II. 12.12 pm TVS Weather. 5.10 Connections. 5.40 The A-Team. 12.00 Police Squad. 12.30 am Company.

TYNE TEES

9.25 am Chips. 10.20 Young Lookaround. 11.20 Morning Glory. 11.25 The Jacksons. 11.50 Adventures of a Lifetime. 5.05 pm The Smurfs. 5.30 Galactica '80. 11.00 Timeless Land. 12.00 Poet's Corner.

ULSTER

9.25 am Walt Disney Presents. 9.35 Freetime Special. 11.20 Fireball XL5. 11.45 The Smurfs. 12.43pm Lunchtime News. 5.03 Ulster News. 5.05 The Zodiac Game. 5.30 Battlestar Galactica. 8.57 Ulster News. 12.00 Sports Results. 12.05 am News at Bedtime.

YORKSHIRE

9.25 am Regional Weather Forecast, followed by Walt Disney Presents. 9.35 Scooby Doo. 11.20 Captain Scarlet and the Mysterons. 11.45 The Jacksons. 5.05 pm Benson. 5.35 Chips. 11.00 The Master. 12.00 That's Hollywood.

RADIO

BBC RADIO 2

(S) Stereo on VHF

8.05 am David Jacobs (S). 10.00 Hank Marvin chooses his favourite records from the 60s (S). 11.00 Album Time (S). 12.30 pm Castle's Corner (S). 1.00 The Grumbleweeds. 1.30 Sport on 2, including Cricket (England and Australia): Tennis (GB v Switzerland); Racing from Goodwood: Motorcycling; Motor Racing; Sailing, and at 5.45 Racing results. 5.50 Cricket Scoreboard. 6.00 Folk On 2. 7.00 Three in a Row. 7.30 Cricket Scoreboard; Gala Concert Hall (S). 9.30 String Sound (S). 10.02 Sports Desk. 10.05 Martin Kelner (S). 12.05 am Rhythm and Blues (S). 1.00 Jean Challis presents Nightride (S). 3.00-4.00 Country Concert (S).

BBC RADIO 3

7.00 am News. 7.05 Aubade (S). 8.00 News. 8.05 Stereo Release (S). 10.30 Rachmaninov Cello Sonata played by Alexander Baillie and Piers Lane (S). 11.15 BBC Philharmonic Orchestra in Ely Cathedral (S) 12.05 pm (Interval Reading). 1.00 News 1.05 Chopin and His Pupil (S). 2.00 Amsterdam Concertgebouw Orchestra (S). 4.00 Bartok and Haydn string quartets played by the Vermeer Quartet (S). 5.00 Jazz Record Requests (S). 5.45 What the Critics Said. 6.35 Music for the Iron Voice (S). 7.00 Proms 85 Bach: St Matthew Passion, conducted by Andrew Parrott (Part 1) (S). 8.15 Water, Snow and Ice. 8.45 Proms: Bach: St Matthew Passion (Part 2) (S). 10.25 Debussy Piano Music played by John York (S). 11.00 Mendelssohn Chamber music (S). 11.57-12.00 News.

Medium wave as above except: 10.55 am-6.35 pm Cricket: Fourth Test, England v Australia at Old Trafford (third day).

BBC RADIO 4

7.00 am News. 7.10 Today's Papers. 7.15 On Your Farm. 7.45 In Perspective. 7.50 Down To Earth. 7.55 Weather; Travel. 8.00 News. 8.10 Today's Papers. 8.15 Sport On 4. 8.57 Weather; Travel. 9.00 News. 9.05 Click. 9.30 Profile. 9.50 News Stand. 10.05 Talking Politics. 10.30 Pick Of The Week (S). 11.30 From Our Own Correspondent. 12.00 News; A Small Country Living. 12.27 pm Quote . . . Unquote (S). 12.55 Weather. 1.00 News. 1.10 Talking Tales. 1.55 Shipping Forecast. 2.00 News; The Afternoon Play (S). 3.00 News; Radio Active. 3.30 Henry Tudor's Reel Friends. 4.15 The Jago. 4.45 The Uncommon Touch. 5.00 Wildlife (S). 5.25 Week Ending (S). 5.50 Shipping Forecast. 5.55 Weather; Travel. 6.00 News; Sports Round-up. 6.25 With Great Pleasure (S). 7.05 Dame Wendy Hiller talks to Martin Jenkins about her early days in the theatre and her friendship with Bernard Shaw. 7.45 Baker's Dozen (S). 8.30 Saturday Night Theatre (S). 10.00 News. 10.15 Evening Service (S). 10.30 Animal Language (S). 11.00 Science Now. 11.30 The Million Pound Radio Show (S). 12.00-12.15 am News.

SUNDAY

† Indicates programme in black and white

BBC 1

8.55 am Play School. 9.15 Knock! Knock! 9.30 This is the Day. 10.00-10.30 Asian Magazine. 12.35 pm Farming. 1.00 News Headlines. 1.05 Bonanza. 1.50 Cartoon. 2.00 EastEnders. 3.00 Film Matinee: "A Farewell to Arms" starring Rock Hudson and Jennifer Jones. 5.30-6.00 The Rock 'n' Roll Years.

6.00 Watchdog. 6.30 News. 6.40 Home on Sunday. 7.15 Film: "Rehearsal for Murder" (TV film). 8.50 News. 9.10 A Night of the Campaign. 10.15 Omnibus at the Proms. 10.25 Choices. 11.00 The Rise and Fall of King Cotton. 11.30 History on Your Doorstep.

BBC 2

1.55-6.50 pm Sunday Grandstand including Motor Racing; Motorcycling; Show Jumping; Athletics from Budapest. 6.50 News Review. 7.15 An Actor's Life For Me. 7.50 Top Crown. 8.35 The Book Game. 9.10 The Two Ronnies. 10.00 Film: Burt Reynolds in "W.W. and the Dixie Dancekings." 11.30 Grand Prix Special (Motorcycling and Motor Racing). 12.30-12.45 am Music at Night.

LONDON

6.55 am TV-am Breakfast Programme. 9.25 LWT Information. 9.30 Roger Ramjet. 9.45 Pumpkin Pies. 10.00 Morning Worship. 11.00 Link. 11.30 In the Mouth of the Dragon. 12.00 Birth of the Bomb. 1.00 pm The Smurfs. 1.30 Groovy Ghoulies. 2.00 The Lesson is Ulster. †2.30 London News Headlines followed by "Desert Mice" starring Alfred Marks, Sidney James. 4.00 Survival of the Fittest. 4.30 Pretenders. 5.00 Survival. 5.30 The Baron. 6.30 News. 6.40 Mary O'Hara and Friends. 7.15 Winner Takes All. 7.45 The Queen Mother at 85: A Birthday Portrait. 8.45 News. 9.00 Connie. 10.00 The Personal Touch. 11.00 London News Headlines followed by The Commodores in Las Vegas. 12.05 am Night Thoughts.

CHANNEL 4

1.05 pm Irish Angle. 1.30 Face the Press. †2.00 "Captain January" starring Shirley Temple. †3.20 "Heidi" starring Shirley Temple. 5.00 Shades of Green. 5.15 News Summary followed by The First Christian. 6.15 The World Games 1985. 7.15 Transatlantic Journey. 8.15 People to People presents Health Emergency. 8.40 The Day After Trinity. †10.20 "The Last Hurrah" starring Spencer Tracy.

S4C WALES

10.30-11.15 am Oedia'r eisteddfod. 2.20 Gardeners' Calendar. 2.50 Wales: Landscape and Legend. 3.20 The First Christian. 4.15 The Winds of War. 6.15 The World Games 1985. 7.20 Newyddion. 7.30 Pwy sy'n perthyn? 8.00 Fflaniler. 9.00 Maids and Madams. 10.00 Octopus—Power of the Mafia. 11.00 People to People. 11.30 Rejoice.

REGIONS

IBA Regions as London except at the following times:

ANGLIA

9.30 am At Home With . . . 12.00 The Longest Row. 1.00 pm Mr Smith. 1.30 Farming Diary. †2.30 Sunday Cinema: "Glad Tidings." 3.45 Just Amazing! 5.00 Short Story Theatre. 5.30 Bygones. 6.00 For Valour. 11.00 T. J. Hooker. 12.00 That's Hollywood. 12.30 am The Bible For Today.

CENTRAL

9.25 am The Wonderful World of Professor Kitzel. 9.30 In the Mouth of the Dragon. 11.30 Gardening Time. 12.00 Against the Grain. 1.00 pm Captain Scarlet and the Mysterons. 1.30 The Adventurer. 2.30 The Weekend Matinee: "Smurfs and the Magic Flute." 3.45 Just Amazing. 5.00 Car-You See It. 5.30 The A-Team. 11.00

The Queen Mother
London, 7.45

CHANNEL

12.25 pm Today's Weather. 12.26 Starting Point. 12.30 Getting On. 1.00 Gardens For All. 1.30 The Adventure of a Lifetime. 2.30 The Sunday Matinee: "Smurfs and the Magic Flute." 3.45 Just Amazing! 5.00 Cartoon Alphabet. 5.30 Puffin's Pla(i)ce. 5.33 The Fall Guy. 6.26 Channel News Headlines. 11.00 Quincy.

GRANADA

9.25 am Miniature Chess Masterpieces. 9.35 The Human Face of the Pacific. 11.00 In the Mouth of the Dragon. 11.25 Aap Kaa Hak. 11.30 This is Your Right. 12.00 The Longest Row. 1.00 pm The Baron. 2.30 Sunday Matinee: "A Town Like Alice." 4.30 Pretenders. 5.00 Cartoon Time. 5.15 Just Amazing! 6.00 The Zodiac Game. 11.00 Late Night Movie: "Home for the Holidays."

HTV

9.25 am Adventures of the Mouse on Mars. 9.30 Once Upon a Time . . . Man. 12.00 The Longest Row. 1.00 pm The Protectors. 1.30 Survival. 2.30 "Buona Sera, Mrs Campbell," starring Gina Lollobrigida, Shelley Winters and Phil Silvers. 5.00 That's My Boy. 5.30 Falcon Crest. 6.36 HTV News. 11.00 Travelling Man. 12.00 Looks Familiar.

SCOTTISH

9.25 am Cartoon. 9.30 In the Mouth of the Dragon. 10.00 Sesame Street. 11.30 The Lesson is Ulster. 12.00 The Longest Row. 1.00 pm Dreams. 1.30 Farming Outlook. 2.00 That's the Spirit. 2.30 World Famous Fairytales. 2.45 Survival Special. 3.45 Just Amazing! 5.00 Comedy Tonight. 5.30 Return of the Saint. 11.00 Late Call. 11.05 The New Avengers.

TSW

9.25 am Link and South West Link. 11.00 am In the Mouth of the Dragon. 11.25 Look and See. 11.30 The South West Week. 11.55 Postscript. 12.00 The Longest Row. 1.00 pm Gardens for All. 1.30 Adventure of a Lifetime. 2.30 The Sunday Matinee: "The Smurfs and the Magic Flute." 3.45 Just Amazing! 5.00 Cartoon Alphabet. 5.30 Gus Honeybun's Magic Birthdays. 5.33 The Fall Guy. 11.00 The South West Week. 11.30 Benson. 11.55 Postscript.

TVS

12.30 pm The Sunday Matinee "The League of Gentlemen," starring Jack Hawkins and Richard Attenborough. 5.00 Dreams. 5.30 Hart to Hart. 6.25 TVS News. 11.00 Lifeline. 12.00 Company.

TYNE TEES

9.25 am Morning Glory. 9.30 Link. 11.00 In the Mouth of the Dragon. 11.25 Lookaround. 11.30 Captain Scarlet and the Mysterons. 12.00 Smoke On Go—The Red Arrows. 1.00 pm Farming Outlook. 1.30 Celebration. 2.30 Sunday Matinee: "Two for the Road." 5.00 The Smurfic Games. 5.30 Magnum. 11.00 Mission Praise. 11.20 Epilogue.

ULSTER

12.00 The Longest Row. 12.58 pm Lunchtime News . . . Sebert Whit . . . sings the American Songbook. 1.15 Brass in Concert. 1.58 Farming Weather. 2.30 Feature Film: "Smurfs and the Magic Flute." 3.45 Just Amazing!. 5.00 Diff'rent Strokes. 5.30 The Love Boat. 6.38 Ulster News. 8.57 Ulster News. 11.00 Sports Results. 11.05 Festival Folk. 11.30 News At Bedtime.

YORKSHIRE

9.25 am Regional Weather Forecast followed by Link. 11.00 In the Mouth of the Dragon. 11.30 Farming Diary and Farming Weather. 12.00 The Longest Row. 1.00 pm The Champions. 2.30 Sunday Cinema: "Robbery" starring Stanley Baker, Frank Finlay, Barry Foster and James Booth. 5.00 The Zodiac Game. 5.30 Cartoon Time. 5.45 Just Amazing! 11.00 Bread, Butter and Politics. 12.00 Five Minutes.

RADIO

BBC RADIO 2

(S)=Stereo on VHF

9.00 am Melodies For You (S). 11.00 Desmond Carrington with your Radio 2 All-time Greats (S). 1.00 David Jacobs Presents Two's Best (S). 2.00 Stuart Hall's Summer Sounds. 6.30 Don McLean with music for a Sunday afternoon. 7.30 Cricket Scoreboard. 7.35 Glamorous Nights introduced by Gordon Clyde. 8.30 Sunday Half-Hour. 9.00 Your Hundred Best Tunes with Alan Keith. 10.02 Sports Desk. 10.05 Songs from the Shows. 10.45 Tony Laurence at the Piano. 11.00 Sounds of Jazz (stereo from midnight). 1.00 Jean Challis presents Nightride (S). 3.00-4.00 David Jacobs Presents Two's Best (S).

BBC RADIO 3

7.00 am News. 7.05 Walter Gieseking (S). 8.00 Bach Cantatas 1724 (S). 8.25 French Music for Wind Instruments (S). 9.00 News. 9.05 Your Concert Choice (S). 10.45 Prom Talk. 11.15 Chicago Symphony Orchestra, part 1 (S). 11.50 Words. 11.55 Chicago SO, part 2 (S). 12.40 pm Song Recital (S). 1.15 Copland and Schuman (S). 2.00 Alkan (S). 2.30 "The Queen of Spades" . . . in Russian in a Bavarian Radio recording conducted by Algis Shuraitis (S). 5.30 At Home Nowhere. 6.00 The Spirit's Harvest (S). 6.35 Nexus perform music by John Hawkins, Takemitsu and Bruce Mather (S). 7.30 Trian ar Toran (S). 9.00 Stuttgart Piano Trio, part 1: Beethoven, Ravel (S). 9.55 Make My House Your Inn. 10.15 Stuttgart Piano Trio, part 2: Brahms. 10.50 Schuman and Bernstein (S). 11.57-12.00 News.

BBC RADIO 4

8.00 am News. 8.10 Sunday Papers. 8.15 Sunday. 8.50 Edward Fox talks for the Week's Good Cause about the Imperial War Museum. 8.55 Weather; Travel. 9.00 News. 9.10 Sunday Papers. 9.15 Letter from America by Alistair Cooke. 9.30 Morning Service. 10.15 The Archers. 11.15 The Colour Supplement. 12.55 Weather. 1.00 The World This Weekend. 1.55 Shipping Forecast. 2.00 News: Down Royal Way: Brian Johnston visits Clarence House (S). 2.10 Men of Letters Remembered (portrait of H. G. Wells). 2.30 The Afternoon Play, "Claudius the God." A dramatisation of Robert Graves's classic novel in a new production for the author's 90th birthday with Timothy West as Claudius (S). 4.00 News: Heritage. 4.30 The Living World. 5.00 News: Travel. 5.05 Down Your Way visits Bedford. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News. 6.15 Treasure Islands. 6.30 A Good Read. 7.00 Travel: Lord Jim (S). 7.30 Dear and Honoured Lady: Radio 4's 85th birthday presents to The Queen Mother is her own choice of programme, presented by Richard Baker (S). 9.58 Weather. 10.00 News. 10.15 A Face in Mirror (a self-portrait of Robert Graves). 11.00 Before the Ending of the Day (S). 11.15 Between Earth and Sky (S). 12.00-12.15 am News.

Solution to Chess No. 579

1 Q-R6. If 1 . . . B-R4; 2 Q-R6! PxQ; 3 B-K8 or P-N4; 3 B-N3. If 1 . . . B-N5; 2 B-N3 ch, K-N4 (K-R6; 3 Q-B1); 3 Q-N6. If 1 . . . K-N4 or R4; 2 Q-N6 ch,

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